Fil

CANADIAN INDUSTRIAL GAS & OIL LTD.

ANNUAL REPORT

1970

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CANADIAN INDUSTRIAL GAS & OIL LTD.

Head Office

640 Eighth Avenue S.W., Calgary 2, Alberta

Directors

Edward G. Battle	Calgary, Alberta
Edmund C. Bovey	Toronto, Ontario
Donald R. Brandt	Edmonton, Alberta
C. Spencer Clark	Seattle, Washington
Robert B. Craddock	Tuckers' Town, Bermuda
J. Ian Crookston	Toronto, Ontario
Edward A. Galvin	Calgary, Alberta
Richey B. Love	Calgary, Alberta
William I. M. Turner, Jr.	Montreal, Quebec
John R. Yarnell	Montreal, Quebec

Officers

Edward A. Galvin	President
Edmund C. Bovey	Chairman of the Executive Committee
Edward G. Battle	Executive Vice President
Donald D. Barkwell	Vice President, Production
Stewart R. Dyckman	Vice President, Finance
George T. Hefter	Vice President, LP Gas
Wilfrid A. Loucks	Vice President, Exploration
Laurence A. Sills	Secretary
A. Kenneth Davies	Treasurer
Russell G. Rennie	Assistant Secretary

Registrars and Transfer Agents

Common and Preferred Shares:

NATIONAL TRUST COMPANY, LIMITED
Calgary, Montreal, Toronto, Vancouver, Winnipeg

THE BANK OF NEW YORK — New York

Auditors

RIDDELL, STEAD & CO. — Calgary, Alberta

Exchange Listing

Common and Preferred Shares:

TORONTO STOCK EXCHANGE — Toronto, Ontario

	1966	1965
)00	$23,727,000	$21,532,000
)00	$10,267,000	$10,084,000
)00	$ 6,416,000	$ 6,188,000
;0¢	52¢	51¢
32¢	32¢	31¢
368	7,356	6,958
3.6	71.0	63.6
780	4,620	4,879
2.0	94.9	83.3
700	112,800	102,200
000	35,610,000	25,300,000
000	8,000,000	5,400,000
000	41,914,000	33,350,000
000	524,800	554,200
–	—	—
515	8,827,548	7,126,752
253	3,074,010	1,702,441
010	949	895
37	37	33

ded for the years prior to 1968.

Comparative Summary

YEAR ENDED DECEMBER 31

	1970
Revenue	$33,369,000
Earnings — before non-cash charges	$15,228,000
Net earnings	$ 8,643,000
Earnings per Common share —before non-cash charges	74¢
Net earnings per Common share	43¢
Net Production	
Crude Oil and Natural Gas Liquids	
Barrels per day	8,709
Natural Gas	
MMCF per day	94.4
Sulphur	
Long Tons	13,400
Gas Gathering & Transmission (Sales)	
MMCF per day	120.8
Oil Gathering and Transmission (Deliveries)	
Barrels per day	122,300
Liquefied Gas Sales (Imp. Gallons)	
Cigas Products Ltd.	47,400,000
Western Propane Inc.	20,000,000
Reserves*	
Crude Oil and Gas Liquids (Barrels)	51,672,000
Natural Gas (MMCF)	598,200
Sulphur (Long Tons)	255,000
Acreage Gross	16,203,991
Net	11,075,034
Miles of Pipeline System	1,248†
Propane Distribution Plants	44

1969	1968	1967	1966	1965
$33,828,000	$29,616,000	$26,266,000	$23,727,000	$21,532,000
$14,513,000	$14,379,000	$11,961,000	$10,267,000	$10,084,000
$ 8,238,000	$ 8,196,000	$ 6,359,000	$ 6,416,000	$ 6,188,000
71¢	71¢	60¢	52¢	51¢
41¢	41¢	32¢	32¢	31¢
8,200	8,298	7,868	7,356	6,958
88.3	81.8	73.6	71.0	63.6
10,810	10,390	6,780	4,620	4,879
120.3	108.6	102.0	94.9	83.3
123,800	122,100	118,700	112,800	102,200
44,300,000	39,300,000	37,600,000	35,610,000	25,300,000
15,500,000	14,200,000	10,700,000	8,000,000	5,400,000
49,746,000	46,312,000	43,826,000	41,914,000	33,350,000
597,000	595,800	590,000	524,800	554,200
246,900	257,700	—	—	—
18,152,342	10,994,464	8,411,515	8,827,548	7,126,752
12,727,674	5,846,223	2,802,253	3,074,010	1,702,441
1,109	1,091	1,010	949	895
37	36	37	37	33

* Sulphur, and propane and butane reserves have not been included for the years prior to 1968.
† Includes distribution lines not shown in prior years.

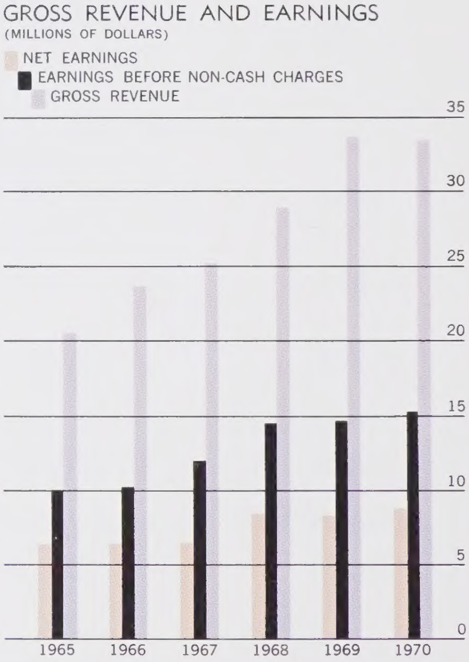
Directors' Report

TO THE SHAREHOLDERS

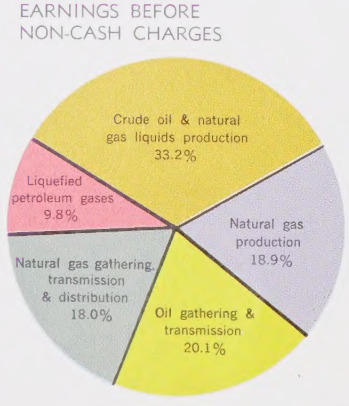
The Directors' Report for 1970, together with the audited Consolidated Financial Statements for the year ended December 31, 1970, are presented herewith.

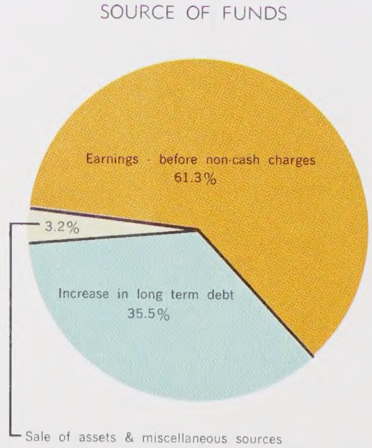
FINANCIAL

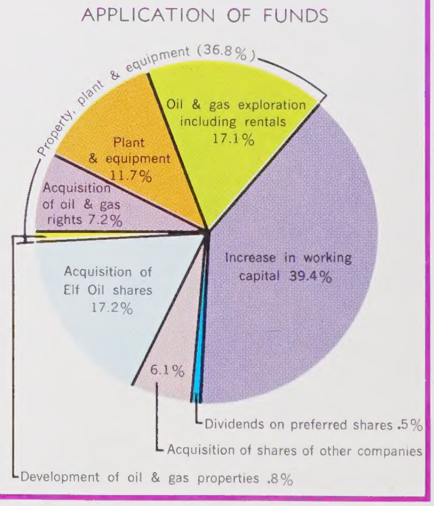
For the year ended December 31, 1970 the Company showed net earnings of $8,643,000 or 43¢ a share compared to $8,238,000 or 41¢ a share in 1969, and cash earnings of $15,228,000 or 74¢ a share compared to $14,513,000 or 71¢ a share in 1969. Total revenue was approximately the same in each of the years but revenue and cash earnings for 1969 included about $2,440,000 and $2,150,000 respectively from production sub-leases which produced only a small profit because applicable depletion was only slightly less than cash earnings. In comparing the results for the two years it should be pointed out that 1970 net earnings reflected a reduction of $826,000 in income taxes of subsidiary companies, but included $512,000 less extraordinary income and $554,000 more interest expense. The increase in interest paid reflects the investment of $4,266,000 in 1970 for shares of Elf Oil Exploration and Production Canada Ltd., the operating results of which are not included in the Company's financial statements. On January 28, 1971, the Company made another deposit of $4,266,000 to be used for exploration expenditures on Elf lands during 1971 representing the consideration due in this year for that company's common shares. Revenue accumulated for these expenditures is reflected in the total of short-term deposits shown on the balance sheet at December 31, 1970.



1970



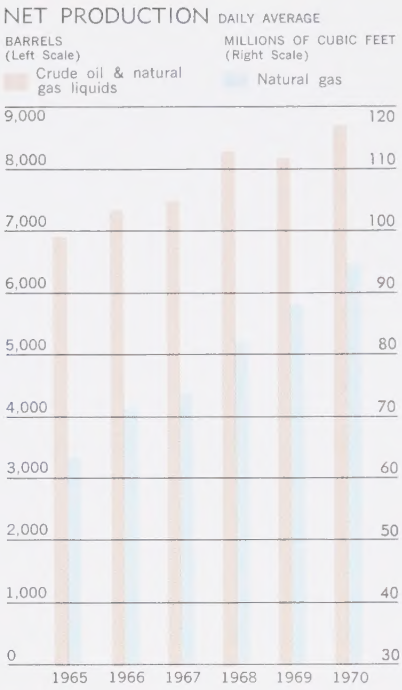




PRODUCTION

Crude oil and natural gas liquids production for 1970, after deduction of all royalties, averaged 8,709 barrels per day compared to the 1969 daily average of 8,200 barrels. Crude oil production averaged 7,715 barrels per day, condensate averaged 505 barrels per day, and propane and butane averaged 489 barrels per day. This 6% increase in production is primarily a result of the greater demand for Alberta crude oil. During December 1970 crude oil purchasers announced a 25¢ per barrel increase for Canadian crude oil and a 15¢ per barrel increase for condensate.

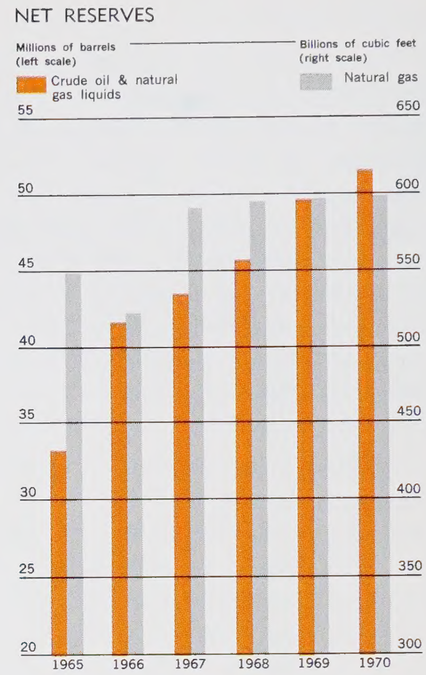
Natural gas production, after deduction of all royalties, increased 7% to an average of 94.4 MMCF per day in 1970 from 88.3 MMCF per day in 1969. Sulphur production from gas processing plants increased to 13,400 long tons in 1970 from 10,810 long tons in 1969.



Gas processing plant in which the Company has an interest, located west of Carstairs, Alberta.

RESERVES

The Company's net crude oil and natural gas liquids reserves and natural gas reserves at year end were 51,672,000 barrels and 598,200 MMCF respectively as compared to the 1969 year end reserves of 49,746,000 barrels and 597,000 MMCF.

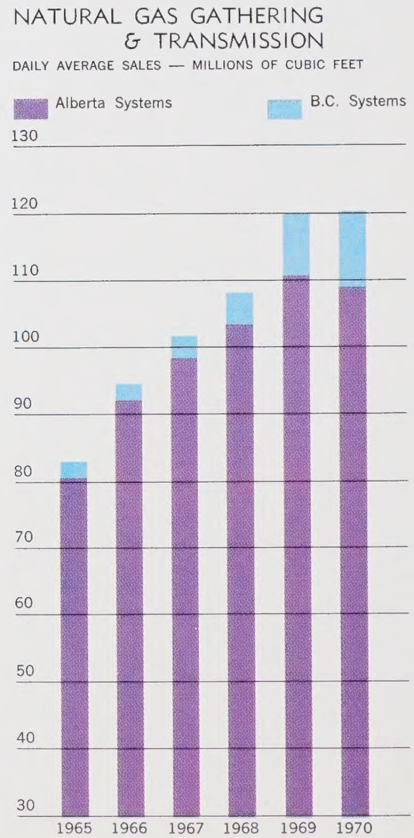


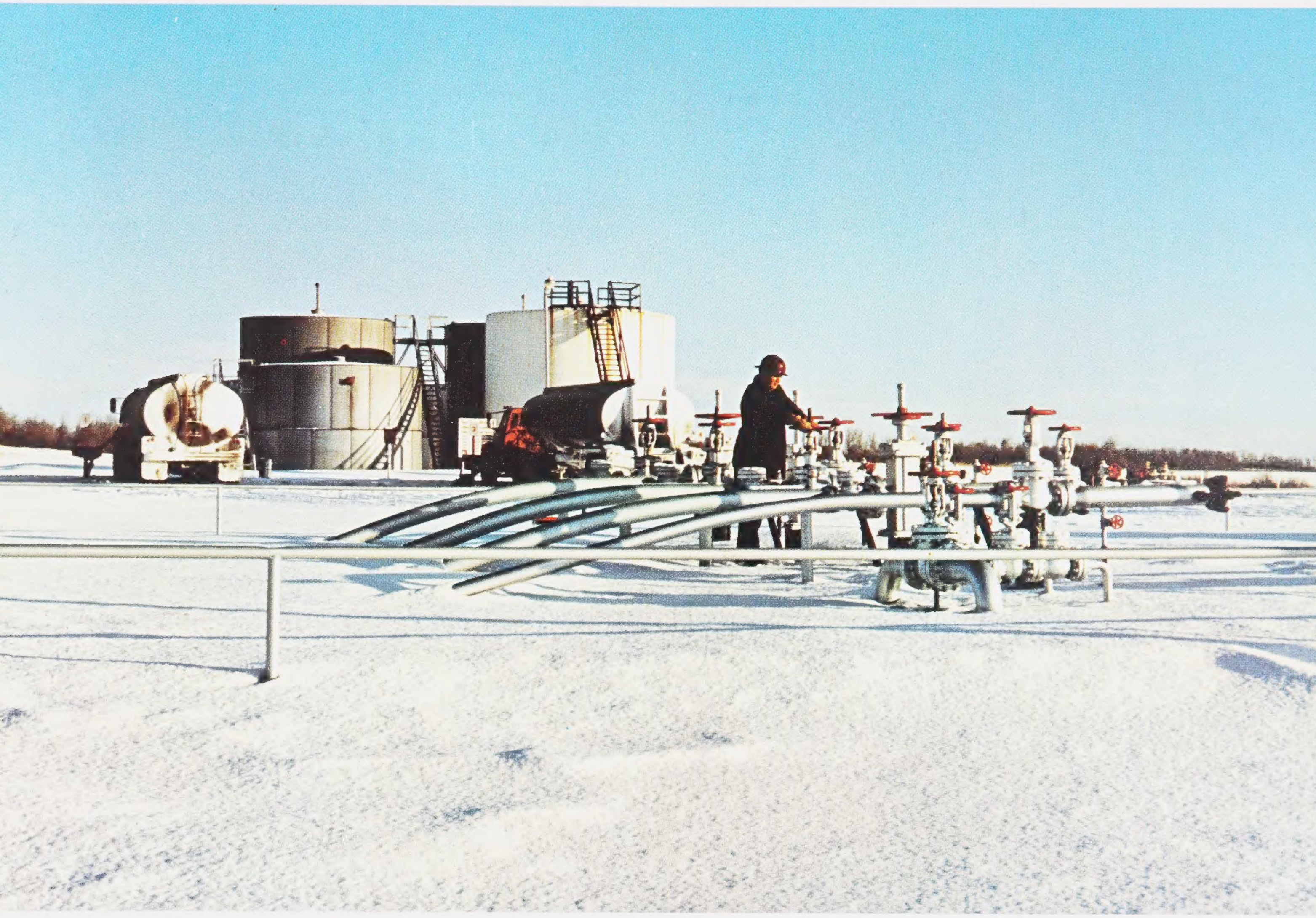
Wabamun, Alberta power generating plant of Calgary Power Ltd. — a natural gas customer.

NATURAL GAS GATHERING AND TRANSMISSION

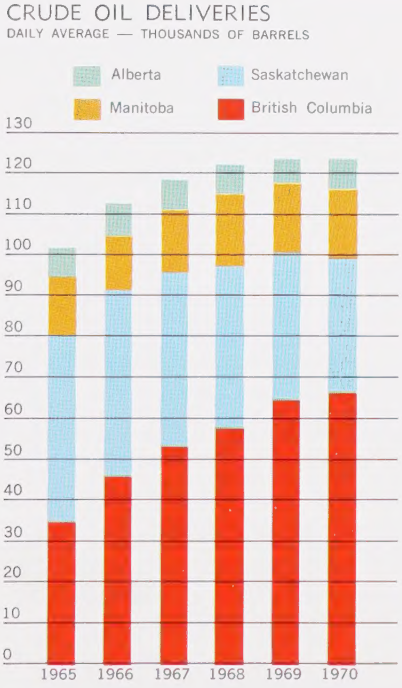
Total sales of natural gas to industrial and domestic consumers served by the Company's gathering and transmission systems averaged 120.8 MMCF per day as compared to the 1969 daily average of 120.3 MMCF. Deliveries under a new contract with a coal preparation plant at Sparwood, British Columbia more than offset the decrease in sales to customers in the Edmonton, Alberta area system.

Approximately one-half of the natural gas supply for the Edmonton area system is purchased under long-term contracts from third parties, the remainder being accounted for by the Company's net interest in gas produced from wells in which the Company owns an interest and gas produced from such wells for royalty owners. The natural gas supply for the British Columbia system is purchased under long-term contracts from major gas transmission companies.





Trans-Prairie oil gathering terminal at Cromer, Manitoba.



OIL GATHERING AND TRANSMISSION

Crude oil and product deliveries averaged 122,300 barrels per day compared to 123,800 barrels per day in 1969. This small reduction reflects the natural decline in production over a period of years from fields in the areas delivering to the Company's pipe lines in Manitoba and Saskatchewan. Of these deliveries over 95% were made by the Company's subsidiary, Trans-Prairie Pipelines, Ltd. Proven recoverable and probable recoverable reserves in the areas serviced by the pipe line systems of Trans-Prairie were estimated at 476,418,000 and 437,792,000 barrels respectively at December 31, 1970.

CRUDE OIL & NATURAL GAS LIQUIDS PRODUCTION
Net Barrels Per Day

	1970		1969	
Alberta				
Pembina	1,054		722	
Joarcam	583		595	
Swan Hills	367		305	
Redwater	253		177	
Simonette	222		192	
Joffre	166		153	
Zama	158		126	
Leduc	155		164	
Inverness	141		155	
West Drumheller	122		123	
Other Fields	785		705	
Royalty Interests	81		72	
Condensate	505		487	
Propane and Butane	489	5,081	436	4,412
Saskatchewan				
Weyburn	560		593	
West Kingsford	187		216	
Hazlet	150		135	
Queensdale	105		110	
Other Fields	290		252	
Royalty Interests	867	2,159	843	2,149
British Columbia				
Peejay	1,312		1,494	
Other Fields	75		78	
Royalty Interests	62	1,449	47	1,619
Other Areas		20		20
Total		8,709		8,200

NATURAL GAS PRODUCTION
Net Millions of Cubic Feet Per Day

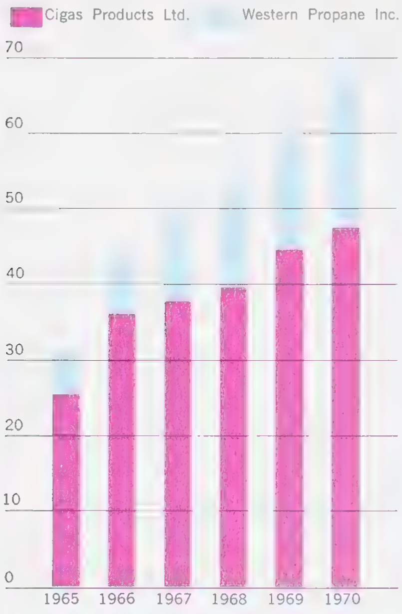
	1970		1969	
Alberta				
Westlock	12.9		9.1	
Fort Saskatchewan	11.9		10.0	
Bindloss	7.8		7.8	
Ghost Pine	7.4		6.4	
Bittern Lake	7.0		9.2	
Nevis	6.1		4.2	
Craigend	3.4		—	
Crossfield	3.3		3.2	
St. Albert	3.0		3.4	
Alexander	2.9		3.6	
Pouce Coupe	2.6		2.9	
Other Fields	12.5		13.9	
Royalty Interests	2.0	82.8	1.9	75.6
British Columbia				
Jedney, Bubbles, East Laprise	9.7		10.6	
Other Fields	0.7	10.4	0.9	11.5
Other Areas		1.2		1.2
Total		94.4		88.3

LIQUEFIED GAS

Substantial growth in Cigas' operations resulted from acquisitions, increased sales to domestic customers, and additional commercial and industrial applications. Sales of propane and butane to Canadian customers increased from 44,300,000 gallons in 1969 to 47,400,000 gallons during 1970.

Prices for propane and butane at Canadian producer plants are higher than they have been for some time. Strong demand on the part of United States consumers has resulted in higher prices on both contract and spot purchases. Cigas does not anticipate any difficulty in contracting for its forthcoming requirements but recognizes that current demands will affect price negotiation.

LIQUEFIED PETROLEUM GAS SALES
MILLIONS OF IMPERIAL GALLONS



ACQUISITIONS

Laurence Oil Co. Ltd.

On February 26, 1971 the Company exchanged 185,000 common shares from treasury for all of the outstanding shares of Laurence Oil, the principal operations of which are in the Swalwell oil field of southern Alberta.

Liquefied Gas Subsidiaries

By agreement made in September 1970 and effected in January 1971, 100,000 common shares from treasury were exchanged for the remaining 50% of the shares of Western Propane, Inc., providing the Company with 100% ownership of this company, which distributes LP gas in the States of Washington and Oregon, with sales of 20,000,000 Imperial gallons in 1970.

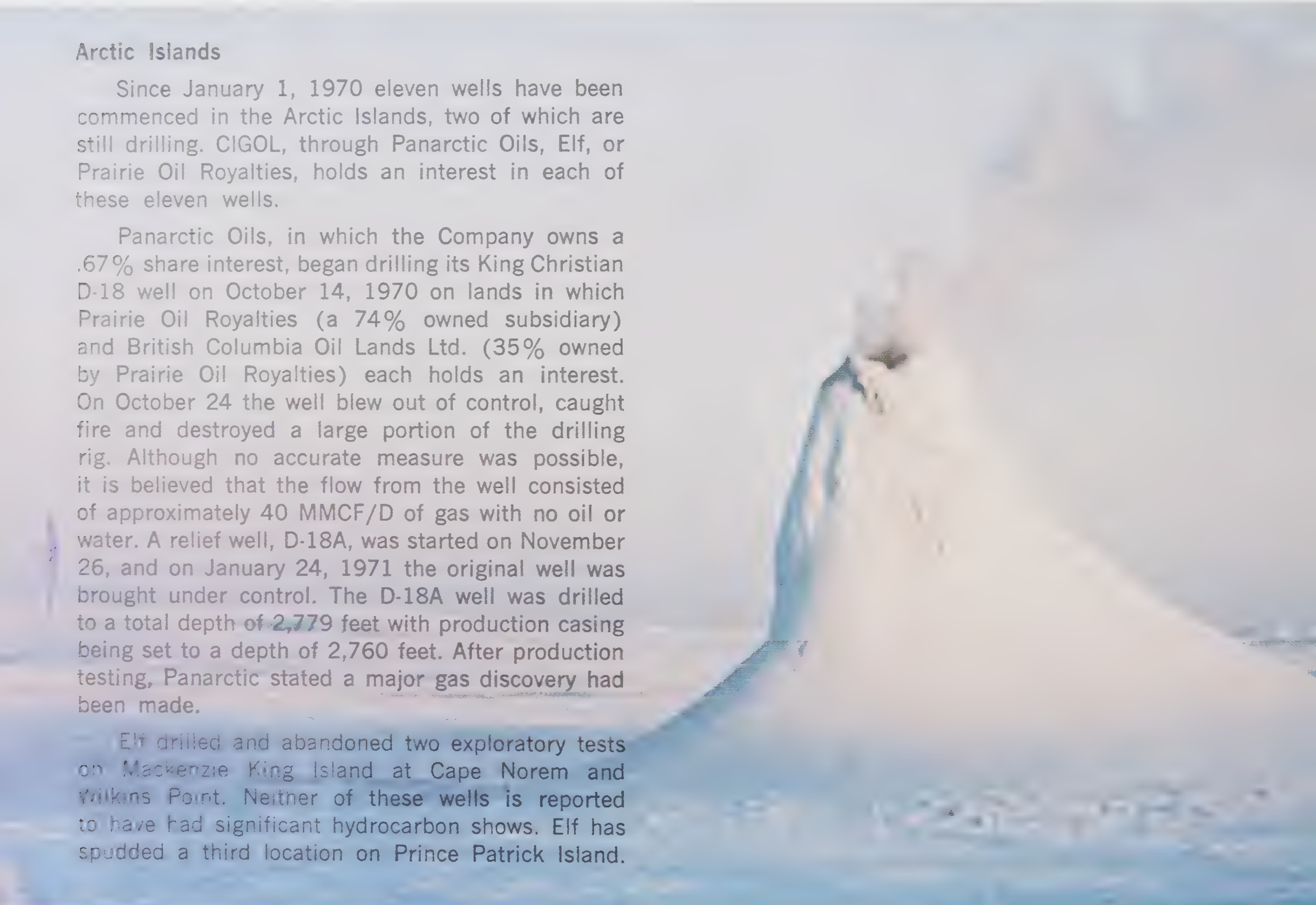
During 1970 the Company acquired the remaining 50% of the outstanding shares of one propane company and all of the shares of three small propane companies operating in Alberta for a total consideration of approximately $600,000. Cigas was previously supplying their propane requirements on a wholesale basis but will now have the additional benefit of a larger margin on retail sales. The Company also acquired in 1970 the shares of Squamish Gas Ltd. which operates a grid distribution system serving Squamish, B.C. and distributes propane in the surrounding area.

A Cigas 10,000 gallon liquefied petroleum gas transport.

A seismic camp in the Golden area of Alberta.

EXPLORATION

The Company has had an active year in exploration, engaging in a number of projects in Western Canada, the Arctic and areas outside Canada. During the year the Company and its subsidiaries participated in the drilling of 86 wells, of which 24 were completed as oil wells, 15 as gas wells and 47 were abandoned. A number of land acquisitions were made but because 1.6 million offshore acres in the Arctic were relinquished, the net acreage holding decreased.



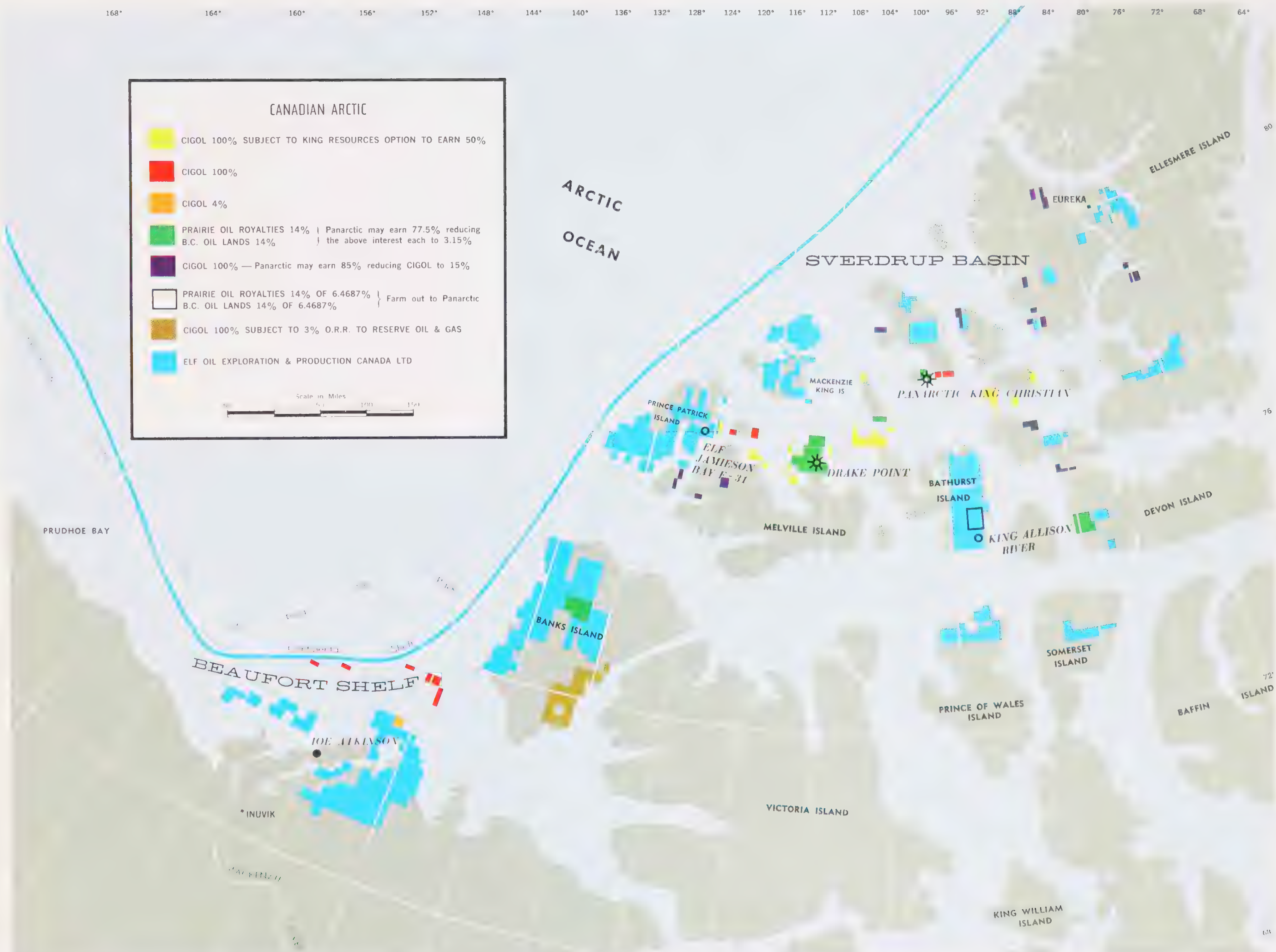
Arctic Islands

Since January 1, 1970 eleven wells have been commenced in the Arctic Islands, two of which are still drilling. CIGOL, through Panarctic Oils, Elf, or Prairie Oil Royalties, holds an interest in each of these eleven wells.

Panarctic Oils, in which the Company owns a .67% share interest, began drilling its King Christian D-18 well on October 14, 1970 on lands in which Prairie Oil Royalties (a 74% owned subsidiary) and British Columbia Oil Lands Ltd. (35% owned by Prairie Oil Royalties) each holds an interest. On October 24 the well blew out of control, caught fire and destroyed a large portion of the drilling rig. Although no accurate measure was possible, it is believed that the flow from the well consisted of approximately 40 MMCF/D of gas with no oil or water. A relief well, D-18A, was started on November 26, and on January 24, 1971 the original well was brought under control. The D-18A well was drilled to a total depth of 2,779 feet with production casing being set to a depth of 2,760 feet. After production testing, Panarctic stated a major gas discovery had been made.

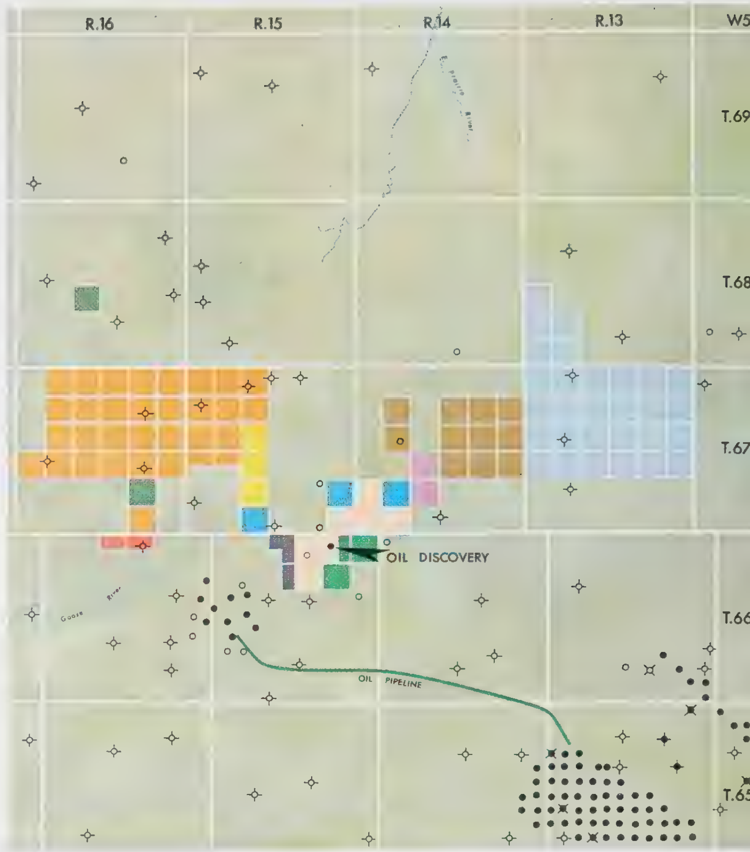
Elf drilled and abandoned two exploratory tests on Mackenzie King Island at Cape Norem and Wilkins Point. Neither of these wells is reported to have had significant hydrocarbon shows. Elf has spudded a third location on Prince Patrick Island.

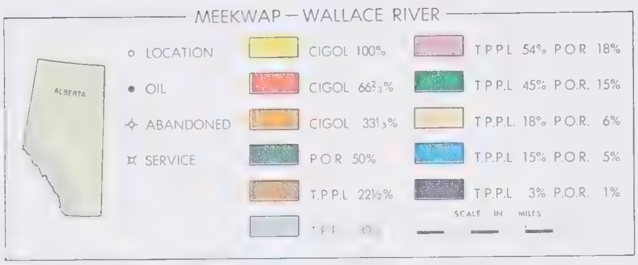
A mountain of ice 175-feet high, created by the freezing of salt water produced with wild gas blow from the Drake Point well No. L-67 on Melville Island.


CANADIAN ARCTIC
CIGOL 100% SUBJECT TO KING RESOURCES OPTION TO EARN 50%
CIGOL 100%
CIGOL 4%
PRAIRIE OIL ROYALTIES 14% B.C. OIL LANDS 14% { Panarctic may earn 77.5% reducing the above interest each to 3.15%
CIGOL 100% — Panarctic may earn 85% reducing CIGOL to 15%
PRAIRIE OIL ROYALTIES 14% OF 6.4687% B.C. OIL LANDS 14% OF 6.4687% } Farm out to Panarctic
CIGOL 100% SUBJECT TO 3% O.R.R. TO RESERVE OIL & GAS
ELF OIL EXPLORATION & PRODUCTION CANADA LTD
Scale in Miles
100
150
ARCTIC OCEAN
SVERDRUP BASIN
BEAUFORT SHELF
PRUDHOE BAY
INUVIK
BANKS ISLAND
PRINCE PATRICK ISLAND
ELF JAMIESON BAY E-31
MACKENZIE KING IS
PANARCTIC KING CHRISTIAN
DRAKE POINT
MELVILLE ISLAND
BATHURST ISLAND
KING ALLISON RIVER
DEVON ISLAND
EUREKA
ELLESMERE ISLAND
SOMERSET ISLAND
PRINCE OF WALES ISLAND
BAFFIN ISLAND
VICTORIA ISLAND
KING WILLIAM ISLAND
168° 164° 160° 156° 152° 148° 144° 140° 136° 132° 128° 124° 120° 116° 112° 108° 104° 100° 96° 92° 88° 84° 80° 76° 72° 68° 64°
80
76
72

Meekwap-Wallace River, Alberta

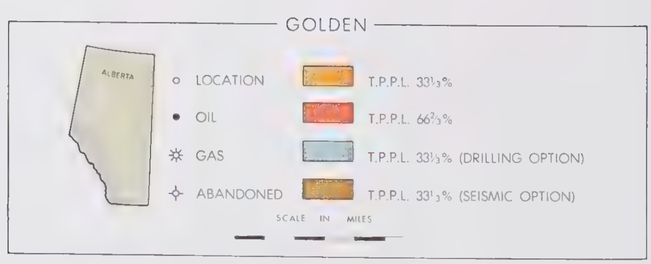
Early in 1971 the Company, through Trans-Prairie and Prairie Oil Royalties, discovered oil in the Devonian in the Wallace River area of central Alberta. The discovery well is located approximately three miles east of the Meekwap D-2 oil field which is currently under development. Good land coverage is held in the area and additional development and exploratory drilling will be done during 1971.





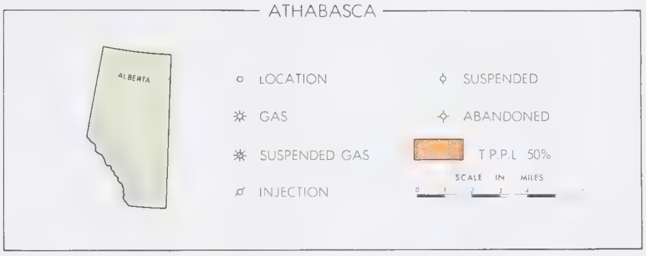
Golden, Alberta

In January 1971 Trans-Prairie discovered oil in the Golden area of north central Alberta. The extent and significance of this find have not been determined, but additional drilling in the area is in progress.

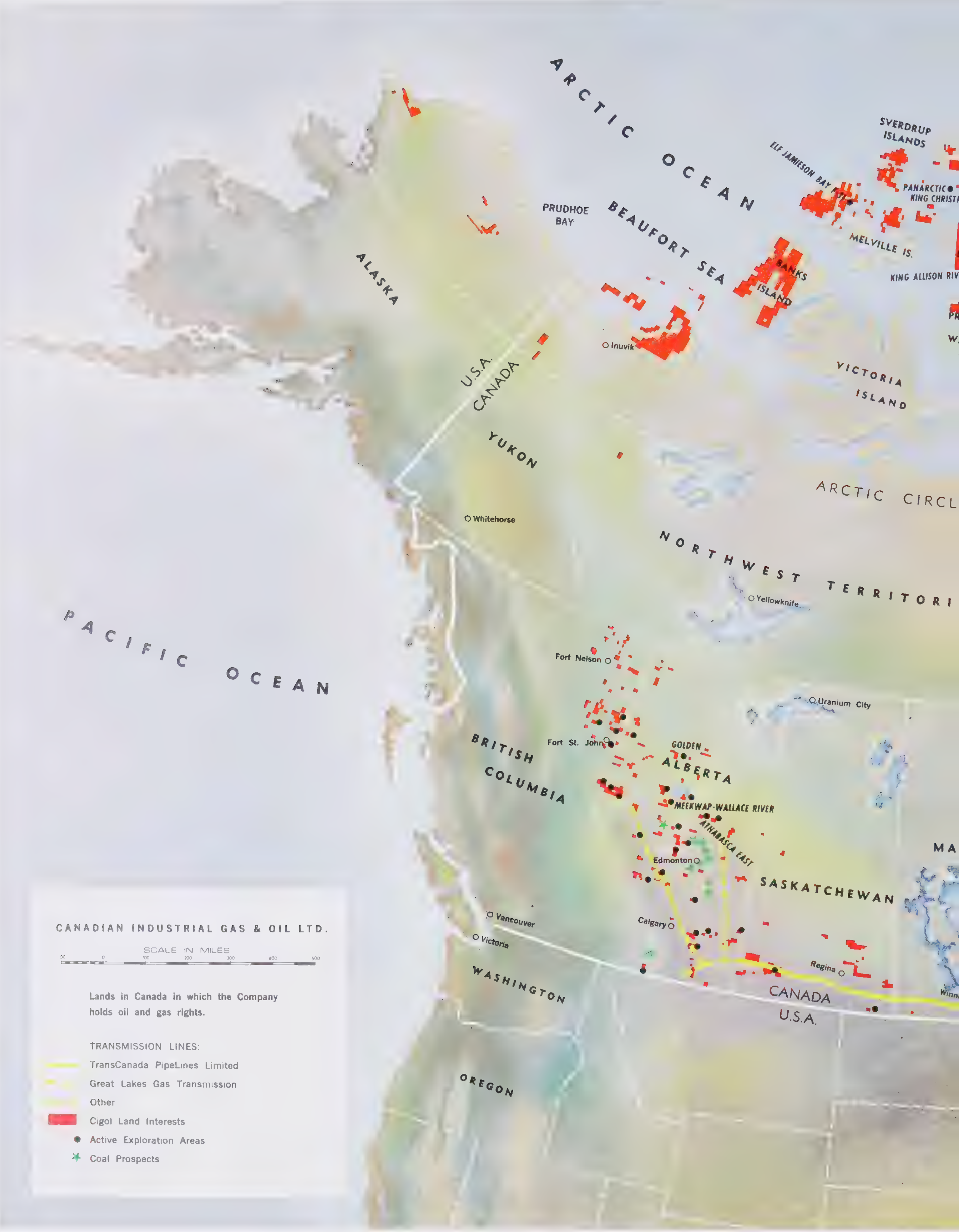


Athabasca, Alberta

In May 1970 Trans-Prairie participated in a Devonian gas discovery in the Athabasca area approximately 75 miles north of Edmonton. Gas pay thicknesses in excess of 150 feet were encountered. Development drilling has resulted in two gas wells and two dry holes.

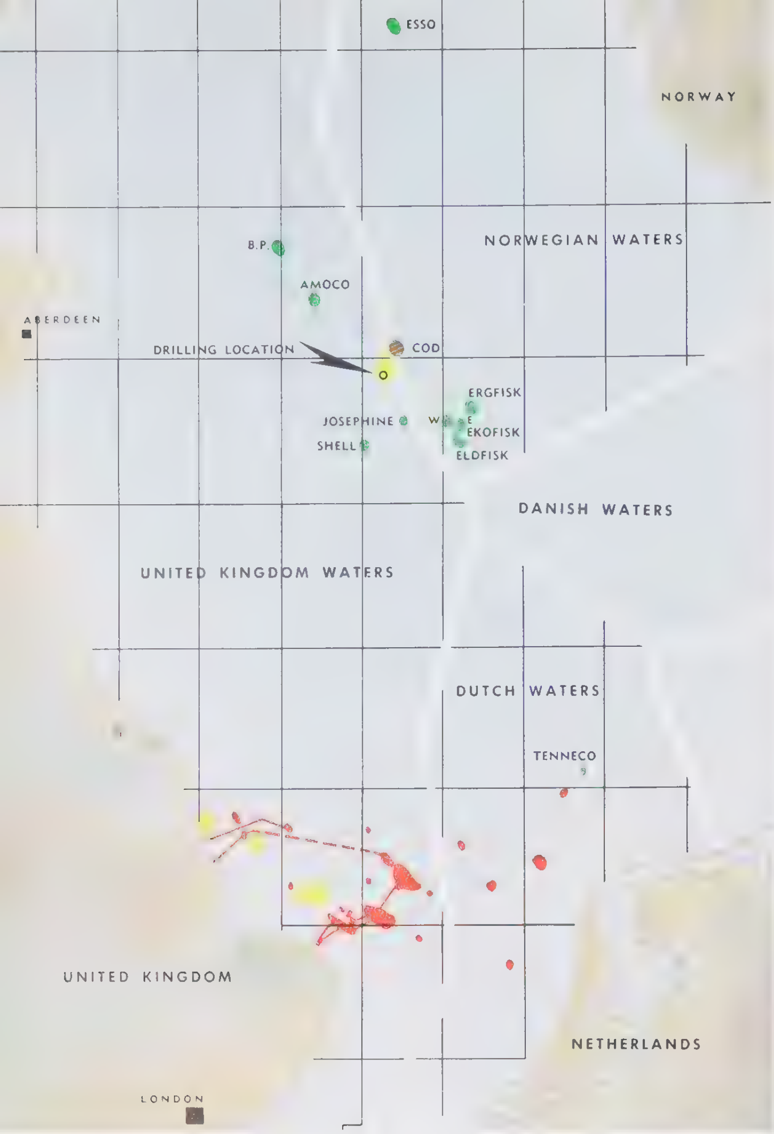


The original King Christian Island D-18 well on fire.



ARCTIC OCEAN
SVERDRUP ISLANDS
ELF JAMIESON BAY
PANARCTIC
MELVILLE IS.
BEAUFORT SEA
BANKS ISLAND
PRUDHOE BAY
ALASKA
Inuvik
VICTORIA ISLAND
U.S.A.
CANADA
YUKON
ARCTIC CIRCL
Whitehorse
NORTHWEST TERRITORI
Yellowknife
PACIFIC OCEAN
Fort Nelson
Uranium City
BRITISH COLUMBIA
Fort St. John
GOLDEN
ALBERTA
MEEKWAP-WALLACE RIVER
ATHABASCA EAST
Edmonton
SASKATCHEWAN
Calgary
Vancouver
Victoria
Regina
CANADA
U.S.A.
WASHINGTON
OREGON
CANADIAN INDUSTRIAL GAS & OIL LTD.
SCALE IN MILES
Lands in Canada in which the Company holds oil and gas rights.
TRANSMISSION LINES:
TransCanada PipeLines Limited
Great Lakes Gas Transmission
Other
Cigol Land Interests
Active Exploration Areas
Coal Prospects

ELLESMERE
ISLAND
DEVON ISLAND
BAFFIN
BAY
GREENLAND
DAVIS
STRAIT
BAFFIN ISLAND
ATLANTIC OCEAN
HUDSON BAY
Churchill
LABRADOR
NEWFOUNDLAND
St. John's
QUEBEC
ONTARIO
NEW
BRUNSWICK
P.E.I.
NOVA SCOTIA
SABLE
IS.
Fredericton
Halifax
Quebec
Timmins
Montreal
Ottawa
Toronto
NEW YORK
New York



North Sea

During the year the Company's acreage position in the North Sea changed considerably. A new licence was acquired, containing 55,869 acres, in which CIGOL holds a 15% working interest, and a large portion of the acreage previously held was relinquished at the end of its first six year term. Net acreage holdings were reduced during the year from 218,955 acres to 66,223.

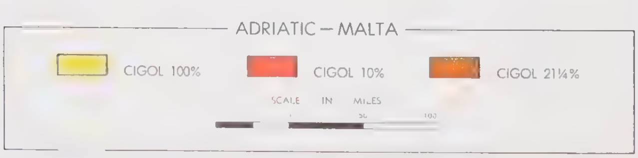
On the newly acquired block, a well Hamilton 30/2-1, in which CIGOL holds a 15% interest, was spudded on December 13, 1970 and is currently drilling. The well is located in the area of the North Sea which has recently received a great deal of attention as a result of significant oil finds both in the Norwegian and British sectors.

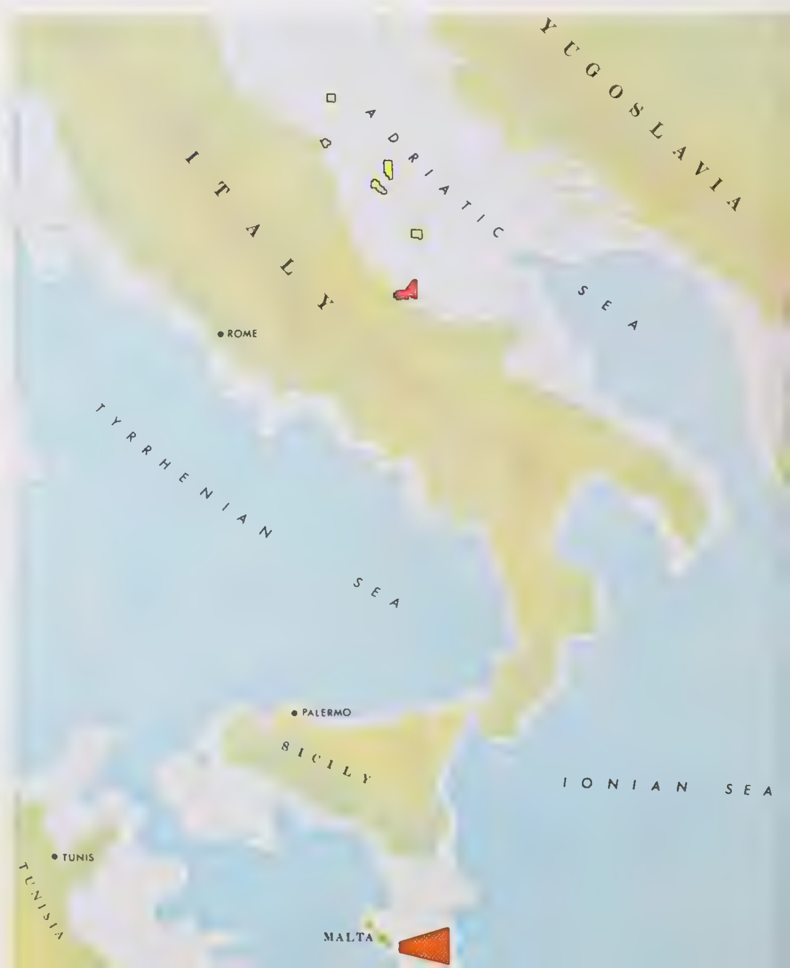
Adriatic

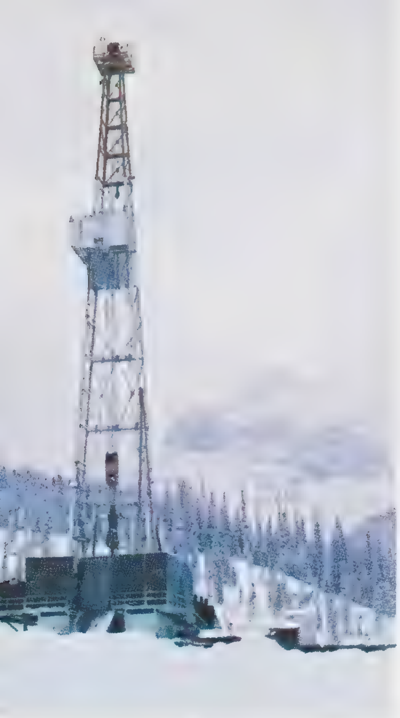
CIGOL, together with several other companies, has recently completed a joint seismic survey to evaluate its holdings in Adriatic waters.

Malta

Late in December, 1970, a group of six companies, including CIGOL, was awarded an oil and gas concession by the Government of Malta, containing approximately 422,000 acres, and located offshore on the east side of the island of Malta. CIGOL's participation is 21¼%. It is expected that seismic evaluation of the property will be commenced in the near future.







A Company drilling operation in the MacDonald Range south of Fernie, British Columbia.

DRILLING SUMMARY

During the year the Company and its subsidiaries participated in the drilling of 86 wells, the results of which are shown in the following table.

		Oil		Gas		Abandoned		1970 Total		1969 Total	
		Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
ALBERTA	Exploratory	—	—	6	3.21	20	7.5	26	10.71	34	16.9
	Development	13	.90	5	1.67	1	1.0	19	3.57	25	4.8
B.C.	Exploratory	—	—	3	.29	14	3.4	17	3.69	12	2.6
	Development	9	1.71	—	—	1	.1	10	1.81	5	.5
SASKATCHEWAN	Exploratory	—	—	—	—	9	2.1	9	2.10	11	8.3
	Development	2	.30	—	—	—	—	2	.30	—	—
ONTARIO	Exploratory	—	—	—	—	—	—	—	—	1	1.0
	Development	—	—	—	—	—	—	—	—	1	1.0
NORTH SEA	Exploratory	—	—	—	—	1	.1	1	.10	1	.2
ARCTIC	Exploratory	—	—	1	.03	1	.02	2	.05	—	—
	TOTALS	24	2.91	15	5.20	47	14.22	86	22.33	90	35.3

ACREAGE HOLDINGS AS AT DECEMBER 31, 1970

	Leases		Reservations, Permits & Licences		Grand Total		Net Carried Interest Acreage		Mineral Acres		Gross Royalty
Area	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Acres
CANADIAN ARCTIC	—	—	4,661,163	2,285,876	4,661,163	2,285,876	—	—	—	—	—
LABRADOR - OFFSHORE	—	—	3,043,878	3,043,878	3,043,878	3,043,878	—	—	—	—	—
HUDSON BAY	—	—	1,404,688	1,404,688	1,404,688	1,404,688	—	—	—	—	—
YUKON	—	—	381,646	306,285	381,646	306,285	—	—	6,289	1,611	—
NORTHWEST TERRITORIES	—	—	1,828,006	1,406,021	1,828,006	1,406,021	—	—	—	—	18,021
BEAUFORT SEA	—	—	327,145	327,145	327,145	327,145	—	—	—	—	—
NORTH SEA	—	—	183,670	66,223	183,670	66,223	—	—	—	—	—
ADRIATIC	—	—	148,569	148,569	148,569	148,569	—	—	—	—	—
WALES	—	—	—	—	—	—	—	—	1,894	1,894	—
QUEBEC	—	—	38,000	38,000	38,000	38,000	—	—	—	—	—
ONTARIO	2,987	2,987	8,136	8,136	11,123	11,123	—	—	—	—	—
MANITOBA	35,293	13,286	—	—	35,293	13,286	58	10	9,869	3,290	—
SASKATCHEWAN	251,808	134,724	381,466	288,774	633,274	423,498	161	26	—	—	401,771
ALBERTA	1,765,721	719,835	542,737	503,471	2,308,458	1,223,306	522,035	13,733	—	—	178,230
BRITISH COLUMBIA	741,731	147,299	457,347	229,837	1,199,078	377,136	298,203	15,167	3,200	3,200	44,953
	2,797,540	1,018,131	13,406,451	10,056,903	16,203,991	11,075,034	820,457	28,936	21,252	9,995	642,975

Pending Leases in Alaska of 2,137,672 gross acres (819,382 net acres) are not included in the above.

Above figures do not include the following lands of Elf in which company CIGOL has a 10% interest:

ARCTIC ISLANDS	16,640,524	BEAUFORT SEA	1,514,353
BRITISH COLUMBIA	630,287	SASKATCHEWAN	99,590
NEWFOUNDLAND (East Coast - Offshore)	2,859,619	MACKENZIE DELTA	4,172,287
HUDSON BAY	61,586,121	ALBERTA	246,375

TOTAL ELF ACREAGE — Gross 87,749,156; Net 22,497,580

MINERAL EXPLORATION

The Company holds a 33⅓% interest in a mineral exploration syndicate which will carry out base metal exploration programs mainly in Manitoba, British Columbia and the Yukon. The Company will also have a 45% share in the drilling of a base metal prospect in Northern Ontario in 1971. Interests are held in several other propects in British Columbia and the Yukon, on which further work will be done during the coming summer season.

Coal Exploration

The Company is actively participating in coal exploration in several areas of Alberta, both in the foothills and on the plains. The foothills project, located near Savanna Creek, Alberta, on which an extended field program was carried out during the summer of 1970, shows indications of coking quality coal in substantial volume. The Company participated in the driving of an adit to obtain bulk coal samples, on which quality tests are being run.

Exploratory adit for bulk coal sample at Pasque Mountain, Savanna Creek area, Alberta.

PROGRESS

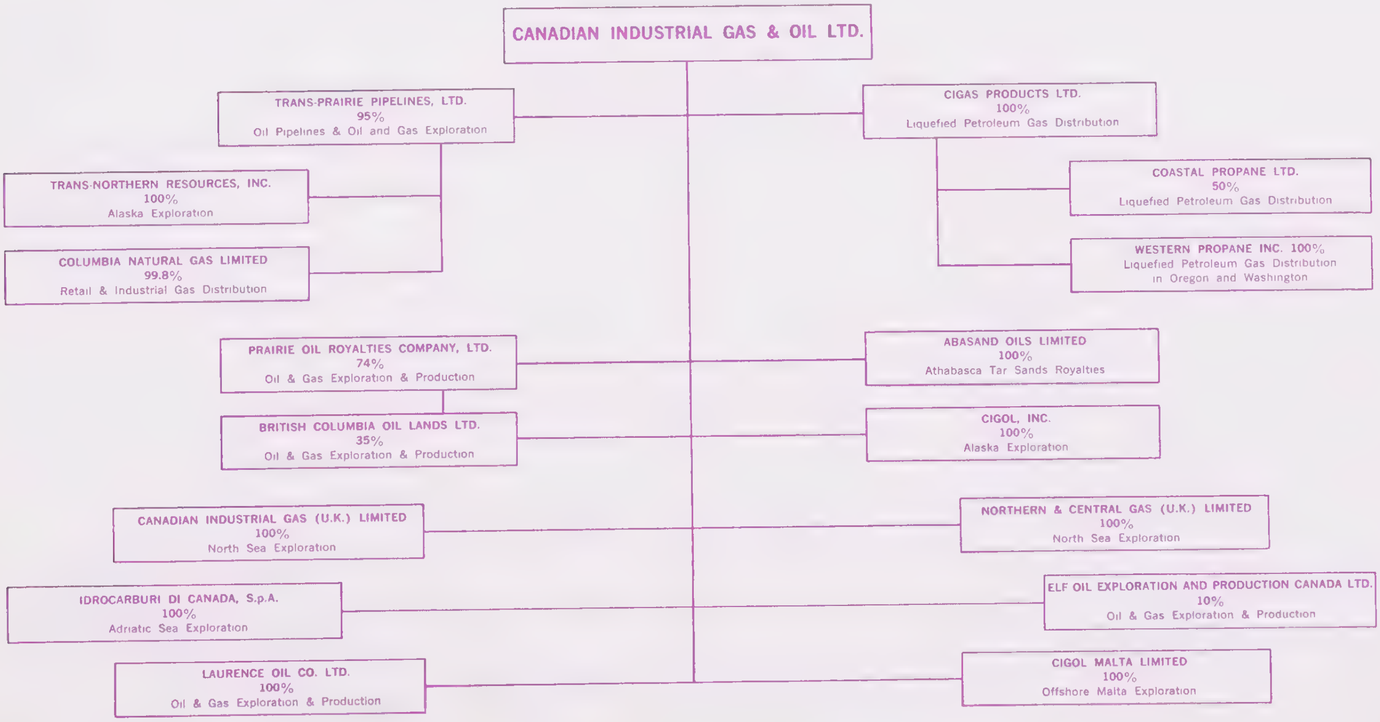
Financial and production performance compared favourably with the previous year. Almost all areas of operation experienced gains in a year in which many businesses suffered declines. Improved performance is expected in 1971, resulting from increasing demands for petroleum liquids and corresponding price increases. The Company is now experiencing exploration success from its activities in the Western Canadian Sedimentary Basin. Prospect exposure in the frontier areas of Canada and the Company's foreign operations give promise of favourable future results.

On behalf of the Board.

President

Calgary, Alberta
March 31, 1971

Students on summer employment trenching a section through the coal bearing Kootenay formation at Pasque Mountain, near the British Columbia/Alberta boundary.



CONSOLIDATED BALANCE SHEET
As at December 31, 1970

Assets

	1970	1969
CURRENT ASSETS		
Cash and short-term deposits	$ 9,514,751	$ 4,024,122
Accounts and notes receivable	6,101,897	5,315,717
Inventories of merchandise and supplies at lower of cost or replacement cost	1,424,390	1,067,996
Prepaid expenses and deposits	466,021	425,381
	17,507,059	10,833,216
INVESTMENTS		
Fifty percent owned companies		
Shares at cost plus equity in undistributed earnings	907,084	911,607
Advances	309,409	343,715
Other companies, at cost		
Note receivable from affiliated company	500,000	168,688
Shares (Note 2)	7,448,325	2,795,828
	9,164,818	4,219,838
PROPERTY, PLANT AND EQUIPMENT, at cost		
(Notes 1 and 3)	138,586,738	129,189,572
Accumulated depletion and depreciation	53,447,230	47,340,301
	85,139,508	81,849,271
OTHER ASSETS	283,794	296,540
	$112,095,179	$ 97,198,865

Signed on behalf of the Board:

E. A. Galvin, Director

E. C. Bovey, Director

Liabilities

	1970	1969
CURRENT LIABILITIES		
Accounts and notes payable and accrued charges	$ 4,180,683	$ 5,816,121
Preferred dividend payable	62,910	80,804
Income taxes payable by subsidiaries	122,000	2,062,175
Current maturities on long-term debt	3,906,796	3,424,655
	8,272,389	11,383,755
LONG-TERM DEBT (Note 4)	25,342,225	16,513,959
MINORITY INTEREST IN SUBSIDIARY COMPANIES	2,332,864	2,066,246
DEFERRED RENTAL INCOME	585,661	463,261
CONTRIBUTION IN AID OF CONSTRUCTION	112,362	98,891
DEFERRED INCOME TAXES	786,794	635,901

Shareholders' Equity

	1970	1969
CAPITAL STOCK (Note 5)		
Authorized		
500,000 5½% cumulative redeemable convertible voting preferred shares, par value $10 each		
50,000,000 common shares without par value		
Issued		
228,074 preferred shares	2,280,740	2,935,320
19,853,829 common shares	23,546,710	22,778,830
	25,827,450	25,714,150
PAID-IN SURPLUS	956,237	956,237
RETAINED EARNINGS (Note 6)	47,879,197	39,366,465
	74,662,884	66,036,852
	$112,095,179	$97,198,865

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended December 31, 1970

	1970	1969
SALES, SERVICE AND OTHER OPERATING REVENUE (Note 9)	$33,369,488	$33,827,572
COSTS AND EXPENSES		
Gas and other merchandise purchased	7,273,092	7,017,144
Selling, operating and administrative expenses (Note 9)	8,744,436	8,662,861
Interest	1,900,407	1,346,668
Depletion (Notes 1 and 9)	3,487,149	4,978,453
Depreciation	2,723,105	2,768,608
Minority interest	284,319	187,451
	24,412,508	24,961,185
EARNINGS BEFORE INCOME TAXES	8,956,980	8,866,387
Income taxes of subsidiaries	398,864	1,224,767
EARNINGS BEFORE EXTRAORDINARY ITEM	8,558,116	7,641,620
Gain on disposal of assets	84,698	596,571
NET EARNINGS (Note 7)	$ 8,642,814	$ 8,238,191
EARNINGS PER COMMON SHARE (based on weighted average number of common shares outstanding)		
Net earnings before extraordinary item	$.43	$.38
Extraordinary item	—	.03
Net earnings	$.43	$.41

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1970

	1970	1969
BALANCE AT BEGINNING OF YEAR	$39,366,465	$29,313,890
Net earnings	8,642,814	8,238,191
Excess of proceeds over book value on disposal of partial interest in Prairie Oil Royalties Company, Ltd.	—	2,316,560
	48,009,279	39,868,641
Dividends - preferred shares of the Company	130,082	174,497
- common shares of a subsidiary	—	327,679
	130,082	502,176
BALANCE AT END OF YEAR	$47,879,197	$39,366,465

CONSOLIDATED STATEMENT OF PAID-IN SURPLUS

for the year ended December 31, 1970

	1970	1969
BALANCE AT BEGINNING OF YEAR	$ 956,237	$ 1,365,399
Share exchange expense	—	409,162
BALANCE AT END OF YEAR	$ 956,237	$ 956,237

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended December 31, 1970

	1970	1969
FUNDS DERIVED FROM		
Operations		
Net earnings	$ 8,642,814	$ 8,238,191
Non-cash items	6,585,450	6,275,039
	15,228,264	14,513,230
Sale of share investment in subsidiary	222,510	2,448,262
Sale of other share investments	—	741,719
Other asset sales	432,575	761,605
Issue of common shares - Company	113,300	384,200
- subsidiary	—	271,232
Long-term debt increase (decrease) - net	8,832,566	(4,661,142)
Other sources	32,663	92,976
	24,861,878	14,552,082
FUNDS APPLIED TO		
Property and intangible costs	6,255,958	11,262,232
Plant and equipment	2,905,974	4,982,518
Dividends - preferred shares of Company	130,082	174,497
- common shares of subsidiary	—	327,679
Investment in affiliated companies	1,113,799	236,248
Investment in other companies	4,670,856	534,539
Share exchange expense	—	409,162
	15,076,669	17,926,875
INCREASE (DECREASE) IN WORKING CAPITAL	$ 9,785,209	$(3,374,793)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at December 31, 1970

Note 1 PRINCIPLES OF CONSOLIDATION AND ACCOUNTING POLICIES

The consolidated financial statements include the accounts of Canadian Industrial Gas & Oil Ltd. and all of its subsidiaries. All subsidiaries are wholly-owned at December 31, 1970 with the exception of Prairie Oil Royalties Company, Ltd., Parys Mountain Mines Limited and Trans-Prairie Pipelines, Ltd., in which the Company has a 74%, 69% and 95% interest respectively. The excess of the cost of shares of purchased subsidiaries over the underlying net book value of their assets at dates of acquisition has been included in property, plant and equipment and is being systematically amortized on the same basis as the related assets.

The companies follow the practice of capitalizing both productive and non-productive costs related to the exploration for and the development of oil and gas reserves, and of depleting such costs on a composite unit of production method based on total estimated reserves.

Depreciation of pipelines, plants and equipment is being provided at rates which will amortize original costs over the estimated useful lives of the respective assets.

Note 2 SHARES IN OTHER COMPANIES

Investment in shares of other companies at December 31, 1970 includes 1,020,000 common shares of Elf Oil Exploration and Production Canada Ltd. (Elf). On November 22, 1969, the Company entered into an agreement to subscribe for a share interest in Elf. The consideration for the Elf shares was the commitment by the Company to incur over a five-year period drilling and exploration expenses on mineral rights in Canada owned or controlled by Elf in an aggregate amount of $23.5 million approximating $4.7 million per annum. The agreement contains provisions for the acceleration of the programmed expenditures and, under certain circumstances, for the incurring of additional expenditures. A total of $4.3 million had been incurred on drilling and exploration expenses and is included as the cost of Elf shares at December 31, 1970. These expenditures are allowable to the Company as deductions for income tax purposes.

Also included under this caption at December 31, 1970 are 333,531 shares of British Columbia Oil Lands Ltd. (approximately 35% of that company's outstanding capital stock) at a cost of $2.0 million with an approximate market value of $2.3 million. Because of the number of shares of British Columbia Oil Lands Ltd. involved, the market value is not necessarily indicative of the amount that would be realized on sale.

Note 3 PROPERTY, PLANT AND EQUIPMENT

	1970			1969
	Cost	Accumulated Depreciation and Depletion	Net	Net
Oil and gas properties	$ 80,307,810	$25,575,732	$54,732,078	$52,309,738
Oil and gas production equipment	12,734,023	7,854,790	4,879,233	4,993,633
Pipelines and processing plants	26,569,173	16,571,711	9,997,462	10,837,738
Propane marketing equipment	12,474,368	2,680,270	9,794,098	8,463,848
Gas utility facilities	6,501,364	764,727	5,736,637	5,244,314
	$138,586,738	$53,447,230	$85,139,508	$81,849,271

Note 4 LONG-TERM DEBT

Canadian Industrial Gas & Oil Ltd. and wholly-owned subsidiaries	1970	1969
Bank loans secured by certain producing properties repayable in monthly instalments of $188,000 plus interest at prime bank rates for such loans	$11,110,000	$ 4,250,000
5⅞% First Mortgage Sinking Fund Bonds, due February 1, 1983 ($9,375,000 (U.S.)) subject to semi-annual sinking fund payments of $325,000 (U.S.)	10,095,188	10,795,121
Advance for drilling costs - interest-free, repayable October 1, 1982	1,500,000	—
Other	626,833	283,993

Trans-Prairie Pipelines, Ltd. and subsidiary

	1970	1969
Bank loans partially secured by a general assignment of accounts receivable of a subsidiary company repayable in monthly instalments of $32,000 plus interest at prime bank rates for such loans	2,817,000	1,130,000
First Mortgage Sinking Fund Bonds:		
6% Series "A" due June 1, 1982, subject to annual sinking fund payments of $57,000	1,708,500	1,759,500
6¼% Series "B" due January 15, 1973	—	47,000
6½% Series "C" due February 1, 1976, subject to annual sinking fund payments of $250,000	1,012,000	1,212,000
Sinking Fund Debentures:		
6¼% Series "A" due February 1, 1976, subject to annual sinking fund payments of $80,000	379,500	461,000
	29,249,021	19,938,614
Current maturities included in current liabilities	3,906,796	3,424,655
	$25,342,225	$16,513,959

Long-term debt maturities and sinking fund requirements for each of the four years subsequent to 1971 are as follows: 1972 - $4.2 million, 1973 - $4.2 million, 1974 - $3.7 million, 1975 - $2.0 million.

Note 5 CAPITAL STOCK

Changes in the share capital accounts during the year ended December 31, 1970 were as follows:

	Preferred Shares		Common Shares	
	Number of Shares	Consideration	Number of Shares	Consideration
Balance, January 1, 1970	293,532	$2,935,320	19,662,740	$22,778,830
Issued for cash on exercise of options	—	—	33,990	113,300
Issued on conversion of preferred shares into common shares	(65,458)	(654,580)	157,099	654,580
Balance, December 31, 1970	228,074	$2,280,740	19,853,829	$23,546,710

At December 31, 1970 there were reserved 542,350 common shares of the Company's capital stock under its officers and key employees' stock option plans of which options to purchase 374,850 shares were outstanding. Options to purchase 217,350 common shares are exercisable at $3.33⅓ per share from time to time to October 26, 1973 and options to purchase 157,500 common shares are exercisable as market growth options from time to time to December 9, 1976 at prices ranging from $9.50 to $11.00 per share.

On the exercise of a market growth option the optionee is not required to make a cash payment and receives a number of common shares which is the quotient obtained where the numerator is the excess of the market value at the date of exercise over the option price multiplied by the number of shares in respect of which the option is exercised and where the denominator is the market value per share at date of exercise. The issue price of such shares will be 1¢ per share and will be credited upon issue to common share capital and charged to earnings. The difference between the number of shares in respect of which the option is exercised and the number of shares issued under the formula will again be available for future options granted under the plan.

Preferred shares are convertible into common shares until July 1, 1973 at the rate of twelve common shares for five preferred shares, after which date the preferred shares are redeemable at par. Of the authorized preferred shares, 230,691 shares had been issued and surrendered for conversion to December 31, 1970 and are not available for reissue.

As at December 31, 1970, 1,089,728 common shares were reserved under option and conversion privileges referred to above.

Reference is made to Note 8, Commitment and Subsequent Events, concerning the issue of 285,000 common shares from treasury since December 31, 1970.

Note 6 DIVIDEND RESTRICTIONS

The terms of the Deed of Trust and Mortgage securing the Company's First Mortgage Sinking Fund Bonds restrict the amount of retained earnings available for dividends as at December 31, 1970 to approximately $33.7 million.

Note 7 INCOME TAXES

For income tax purposes the companies have claimed drilling, exploration and lease acquisition costs and capital cost allowances in amounts which, in the aggregate, exceed the related depletion and depreciation provisions reflected in the accounts. As a result income taxes for the year are payable only on the earnings of some of the Company's subsidiaries, while no income taxes are payable in respect of the earnings reported for the other companies. As at December 31, 1970 expenditures remain to be carried forward (subject to assessment by taxation authorities) and applied against future taxable income as follows:

Drilling, exploration and lease acquisition costs	$ 3.4 million
Undepreciated capital cost	$22.5 million

It is the policy of the companies to provide for deferred income taxes at such time as taxes otherwise payable are deferred as a result of claiming capital cost allowances in excess of depreciation recorded. This policy permits the Company to claim capital cost allowance in excess of book depreciation without providing for deferred tax in its accounts provided it has other tax deductions available to eliminate taxable income. However, management does not believe that it is appropriate to provide for income taxes deferred as a result of claiming for income tax purposes drilling, exploration and lease acquisition costs in excess of depletion provided in the accounts; while the view of management conforms with general practice in the oil and gas industry, it differs from the tax allocation basis of accounting recommended by the Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants under which the income tax provision is based on the earnings reported in the accounts.

If the tax allocation basis had been followed for all timing differences between taxable income and reported income, deferred income tax provisions would have been $3.8 million and $2.1 million for 1970 and 1969 respectively. The accumulated income tax reductions relating to all timing differences in the current and prior years amount to approximately $17.8 million at December 31, 1970.

Note 8 COMMITMENT AND SUBSEQUENT EVENTS

Reference is made to the commitment outlined in Note 2 with respect to the Company incurring additional drilling and exploration expenditures under the terms of the Elf agreement.

The Company issued since December 31, 1970, 285,000 common shares from treasury in exchange for the remaining 50% of the outstanding shares, not previously held, of Western Propane, Inc., a propane distributing company operating in the States of Washington and Oregon, and all the outstanding shares of Laurence Oil Co. Ltd., a private petroleum producing and exploration company.

Note 9 REVENUE, OPERATING EXPENSES AND DEPLETION

In 1969 revenue, operating expenses and depletion included amounts of approximately $2,440,000, $242,000 and $2,150,000, respectively, all with respect to a production sub-lease which expired in December, 1969. There were no similar revenues nor related expenses in 1970.

Note 10 REMUNERATION OF DIRECTORS AND OFFICERS

Remuneration paid during 1970 to directors and officers totalled $351,029.

Riddell, Stead & Co.

CHARTERED ACCOUNTANTS 407 Eighth Avenue S.W. Calgary 2, Alberta

AUDITORS' REPORT

To the Shareholders
Canadian Industrial Gas & Oil Ltd.

We have examined the consolidated balance sheet of Canadian Industrial Gas & Oil Ltd. and subsidiary companies as at December 31,1970 and the consolidated statements of earnings, retained earnings, paid-in surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31,1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 11,1971. Riddell, Stead & Co.

Canadian Industrial Gas & Oil Ltd.
1970 Annual Report

PRINTED IN CANADA

AR29

Canadian Industrial Gas & Oil Ltd.

Notice

of

Annual General Meeting of Shareholders

April 16th, 1970

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Canadian Industrial Gas & Oil Ltd. (hereinafter called the "Company") will be held in the Board Room at the Company's offices, 12th Floor, 640 Eighth Avenue S.W., in the City of Calgary in the Province of Alberta, Canada, on Thursday, the 16th day of April, 1970, at 10:00 o'clock in the forenoon, Mountain Standard Time, for the following purposes:

1. To receive, consider and, if thought fit, approve the Report of the Directors, the Consolidated Balance Sheet as at Decemeber 31, 1969, Consolidated Statements of Earnings, Paid-in Surplus, Retained Earnings, and Source and Application of Funds for the year ended December 31, 1969 and the Auditors' Report thereon;

2. To elect ten directors for the ensuing year and until their successors have been elected or appointed;

3. To appoint auditors for the ensuing year and, if thought fit, to authorize the Board of Directors of the Company to determine the amount of their remuneration;

4. To transact such other business as may properly be brought before the Meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed the close of business on March 18, 1970 as the record date for the determination of shareholders entitled to notice of, and to vote at, the said Meeting or any adjournment or adjournments thereof. The transfer books will not be closed. Shareholders who do not expect to attend the Meeting in person are requested to complete, sign and detach the Instrument of Proxy at page 7 hereof and forward it in the stamped and addressed envelope provided, to the Secretary of the Company, c/o National Trust Company, Limited, 330 Eighth Avenue S.W., Calgary 2, Alberta, Canada, to reach that address no later than twenty-four (24) hours before the time fixed for the commencement of the Meeting.

DATED at the City of Calgary, in the Province of Alberta, this 25th day of March, 1970.

BY ORDER OF THE BOARD OF DIRECTORS,

L. A. SILLS,

Secretary.

Canadian Industrial Gas & Oil Ltd.

Information Circular

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by the Management of Canadian Industrial Gas & Oil Ltd. (hereinafter called the "Company") to be used at the Annual General Meeting of the Company to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting. The solicitation will be by mail, but proxies may also be solicited personally by Directors and regular employees of the Company. All expenses in connection with this solicitation by the Management to the registered shareholders will be borne by the Company.

Appointment, Revocation and Delivery of Proxies

The persons named in the attached Instrument of Proxy are Directors of the Company. **A shareholder desiring to appoint some other person to represent him at the Meeting may do so** either by inserting such person's name in the blank space provided in the Instrument of Proxy or by completing another proper form of proxy and, in either case, depositing it with the Secretary of the Company within the time hereinafter specified for receipt of instruments of proxy. A person appointed as a proxy need not be a shareholder of the Company.

A shareholder who has given an instrument of proxy may revoke it, as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by it, by signing another instrument of proxy bearing a later date and depositing it with the Secretary of the Company within the time hereinafter specified for receipt of instruments of proxy, or by signing a written notice of revocation and depositing it with the Secretary of the Company at 640 Eighth Avenue S.W., Calgary 2, Alberta, on or before the day preceding the Meeting or delivering it to the Chairman at the Meeting.

An instrument of proxy to be voted at the Meeting must be received by the Secretary of the Company, c/o National Trust Company, Limited, 330 Eighth Avenue S.W., Calgary 2, Alberta, not less than twenty-four (24) hours before the time fixed for the commencement of the Meeting; otherwise it shall be invalid.

Exercise of Discretion by Proxies

The persons named in the attached Instrument of Proxy will, if it is duly completed and timely deposited, vote the shares in respect of which they are appointed (a) upon the motion for approval of the Directors' Report, Financial Statements and Auditors' Report thereon in accordance with the direction of the shareholders appointing them **(or, in the absence of such direction, for such approval)**; and (b) for the election of directors and the appointment of auditors, as stated under those headings in this Circular. The attached Instrument of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. At the time of printing this Circular, the Management of the Company knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting.

Voting Shares

Pursuant to the Articles of Association of the Company the Board of Directors has fixed the close of business on March 18, 1970 as the record date for the Meeting and accordingly the only persons entitled to attend and vote at the Meeting or to be represented thereat by proxy will be registered shareholders of record on the said date. The transfer books will not be closed. Each shareholder of record present in person is entitled to one vote on a show of hands and, on a poll, each shareholder of record present in person or represented by proxy is entitled to one vote for each Common share and one vote for each 5½% Cumulative Redeemable Convertible Preferred share held at the record date.

At the close of business on February 27, 1970, there were outstanding 19,769,362 Common shares and 252,956 5½% Cumulative Redeemable Convertible Preferred Shares. All such shares, together with any other Common shares which may be issued prior to the record date pursuant to the conversion of Preferred shares or the exercise of stock options, are entitled to be voted at the meeting. On a poll, each Common and Preferred share carries one vote.

Principal Shareholders

At the close of business on February 27, 1970 the only person who, to the knowledge of the Directors and Senior Officers of the Company, beneficially owned, directly or indirectly, equity shares carrying more than 10% of the voting rights attached to all shares of the Company (both Common and Preferred shares) was Northern and Central Gas Corporation Limited, 4600 Toronto-Dominion Centre, Toronto 1, Ontario, which owned 13,112,529 Common shares, representing 65% of the total of the Common and Preferred shares outstanding. The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the above named corporation.

Election of Directors

The Articles of Association of the Company provide that all of the directors shall retire from office at each Annual General Meeting, and shall be eligible for re-election. A director need not be a shareholder of the Company. There are ten (10) directors of the Company all of whom retire and are eligible for re-election.

The persons named in the attached Instrument of Proxy have stated they will vote for the election of the nominees whose names are set forth below, all of whom are now members of the Board of Directors. The Management knows of no reason why any of the nominees will be unable to serve as a director, but if notice is received that a nominee will not serve for any reason, the persons named in the attached Instrument of Proxy reserve, and are granted, the right to vote for another nominee in their discretion. Each director elected will hold office until the next Annual General Meeting and until his successor is duly elected.

In the following table and the notes thereto are stated the names of all the nominees for election as directors, all other positions and offices with the Company now held by them (if any), their present occupations or employments, the date on which each became a director of the Company and the number of shares of the Company beneficially owned directly or indirectly by each as at February 27, 1970:

Name and Present Occupation	*Served as a Director since*	*Shares beneficially owned at February 27, 1970*	
		Common	*Preferred*
BATTLE, Edward G., Calgary, Alberta. Executive Vice President of the Company. President of Prairie Oil Royalties Company, Ltd., Calgary, Alberta.	April 8, 1969	3,000	Nil
BOVEY, Edmund C., Toronto, Ontario. Chairman of the Executive Committee of the Company. Director, President, and Chief Executive Officer of Northern and Central Gas Corporation Limited, Toronto, Ontario.	August 18, 1966	2,200	Nil
BRANDT, Donald R., Edmonton, Alberta. Director and President of Trans-Prairie Pipelines, Ltd., Edmonton, Alberta.	July 17, 1969	1	Nil
CLARK, C. Spencer, Seattle, Washington, U.S.A. Director and Chairman of the Board of Northern and Central Gas Corporation Limited, Toronto, Ontario. Executive of Cascade Natural Gas Company, Seattle, Washington.	August 18, 1966	1	Nil
CRADDOCK, Robert B., Tuckers' Town, Bermuda Director and Chairman of the Executive Committee of Gaz Metropolitain, Inc., Montreal, Quebec. Director and Senior Vice President (Quebec) of Northern and Central Gas Corporation Limited, Toronto, Ontario.	November 29, 1966	Nil	Nil

Name and Present Occupation	Served as a Director since	Shares beneficially owned at February 27, 1970 Common	Preferred
CROOKSTON, J. Ian, Toronto, Ontario. President of Nesbitt, Thomson and Company, Limited, Investment Dealers, Toronto, Ontario.	March 8, 1965	Nil	Nil
GALVIN, Edward A., Calgary, Alberta. President, Chief Executive Officer, and Member of the Executive Committee of the Company. Director and Executive Vice President, Production, of Northern and Central Gas Corporation Limited, Toronto, Ontario.	March 8, 1965	2,112	Nil
LOVE, Richey B., Calgary, Alberta. Member of the Executive Committee of the Company. Partner with Macleod, Dixon, Burns and Company, Barristers and Solicitors, Calgary, Alberta.	March 8, 1965	500	Nil
TURNER, William I. M. Jr., Montreal, Quebec. President of Power Corporation of Canada, Limited, Montreal, Quebec. Director and Member of the Executive Committee of Northern and Central Gas Corporation Limited, Toronto, Ontario.	July 17, 1969	25	Nil
YARNELL, John R., Montreal, Quebec. Vice President of Consolidated-Bathurst Limited, Pulp and Paper Company, Montreal, Quebec. Director of Northern and Central Gas Corporation Limited, Toronto, Ontario.	March 8, 1965	Nil	Nil

NOTE: The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors individually.

Remuneration of Management (Year Ended December 31, 1969)

	The Company and consolidated subsidiaries	Unconsolidated subsidiaries
1. Aggregate remuneration paid to Directors and Senior Officers	$344,289	Nil
2. Aggregate cost to the Company of all pension benefits for Directors and Senior Officers	$ 11,880	Nil
3. Aggregate cost to the Company of all benefits to Senior Officers under the Employee Savings Plan	$ 7,646	Nil

Stock Options (Year Ended December 31, 1969)

Granted to Senior Officers

On September 4, 1969, the Board of Directors adopted the Key Employee Incentive Share Option Plan and reserved therefor a total of 325,000 Common shares. On September 23, 1969, share options were granted to two directors and to certain senior officers of the Company and other employees of the Company and a subsidiary to purchase a total of 150,000 Common shares at a price of $9.50 per share exercisable as to one-fifth of the optioned shares annually from September 23, 1970 to September 23, 1975. Of those granted, options in respect of 59,000 Common shares were granted to the two directors and certain senior officers of the Company. During the thirty-day period preceding the granting of the options the market price of the Common shares fluctuated between a high of $11 and a low of $9¼.

The options granted pursuant to this Plan are "market growth options", which means that upon the exercise of the option the holder receives, without being required to make any payment, such number of Common shares as equals the quotient obtained by dividing (a) the amount obtained by multiplying the number of common shares with respect to which the option is exercised by the difference between the fair market value of a Common share on the day such option is exercised and the option exercise price, by (b) the fair market value of a common share on the day such option is exercised. The balance of the common shares covered by the option, which are not issued upon its exercise by reason of the formula, are not available for future issuance to the holder.

Exercised by Senior Officers

During the year 1969 Senior Officers, who are also employees, exercised options for a total of 77,400 Common shares of the Company, pursuant to the terms of, and at the price of $10.00 for each three shares fixed by, their option agreements. The following is a schedule of the number of shares exercised by months and the market price:

Month of Purchase 1969	*No. of Shares Purchased*	*Market Price on Toronto Stock Exchange*	
		High	*Low*
January	19,800	$9⅝	$7½
February	22,500	10	8½
March	6,000	9⅞	8¾
April	3,000	10¾	9⅝
May	19,800	14¾	10¼
November	300	10⅞	8⅝
December	6,000	11½	9⅜
	77,400		

NOTE: Amended to reflect 3 for 1 subdivision effective April 8, 1969.

Indebtedness

In 1966 the Company made an interest free loan of $93,567 to Mr. Edward A. Galvin, a Director and Senior Officer of the Company, for the purpose of building a house in Calgary, Alberta. The loan was repayable in annual instalments to December, 1977. The largest aggregate amount of indebtedness outstanding during 1969 was $87,954. The entire loan was repaid to the Company on February 18, 1969.

Appointment of Auditors

As set forth in the Notice, action will be taken at the Meeting with respect to the appointment of auditors. The persons named in the attached Instrument of Proxy will vote the shares in respect of which they are appointed proxy in favour of the appointment of the retiring auditors, Riddell, Stead & Co., which firm was first appointed as auditors at the Annual General Meeting of the Company held on April 4, 1967. The Management of the Company knows of no relationship between Riddell, Stead & Co., or any of its associates and the Company, or any of its subsidiaries or affiliates, except as auditors.

Other Business

While there is no business of which the Management is aware to be presented for action by the shareholders at the Annual General Meeting other than that mentioned above, it is intended that the proxy votes hereby solicited will be exercised upon any other matters and proposals that may properly come before the Meeting, or any adjournment or adjournments thereof, in accordance with the discretion of the persons authorized to act thereunder.

L. A. SILLS,
Secretary.

Calgary, Alberta.
March 25, 1970.

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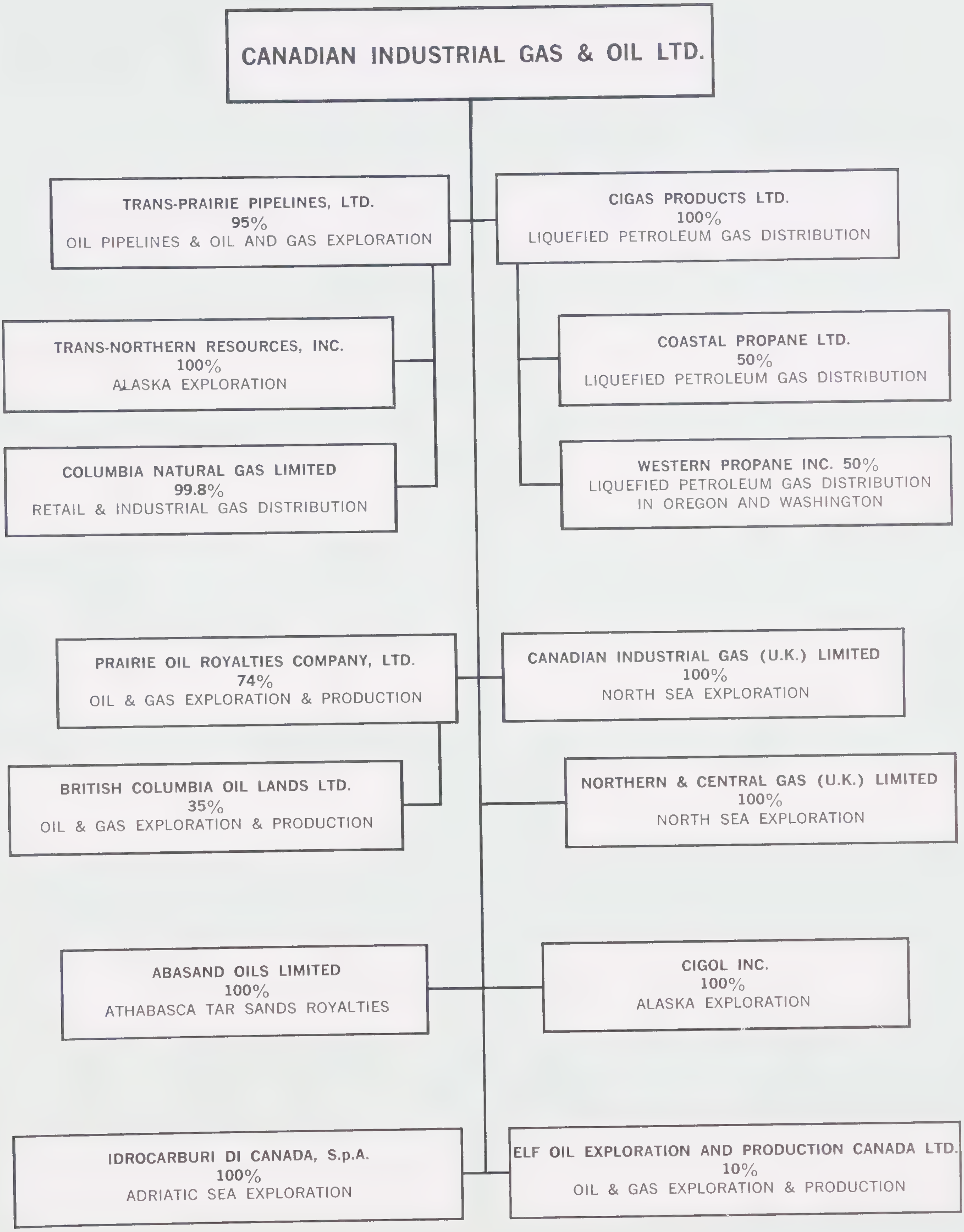

CANADIAN INDUSTRIAL GAS & OIL LTD.
TRANS-PRAIRIE PIPELINES, LTD.
95%
OIL PIPELINES & OIL AND GAS EXPLORATION
CIGAS PRODUCTS LTD.
100%
LIQUEFIED PETROLEUM GAS DISTRIBUTION
TRANS-NORTHERN RESOURCES, INC.
100%
ALASKA EXPLORATION
COASTAL PROPANE LTD.
50%
LIQUEFIED PETROLEUM GAS DISTRIBUTION
COLUMBIA NATURAL GAS LIMITED
99.8%
RETAIL & INDUSTRIAL GAS DISTRIBUTION
WESTERN PROPANE INC. 50%
LIQUEFIED PETROLEUM GAS DISTRIBUTION
IN OREGON AND WASHINGTON
PRAIRIE OIL ROYALTIES COMPANY, LTD.
74%
OIL & GAS EXPLORATION & PRODUCTION
CANADIAN INDUSTRIAL GAS (U.K.) LIMITED
100%
NORTH SEA EXPLORATION
BRITISH COLUMBIA OIL LANDS LTD.
35%
OIL & GAS EXPLORATION & PRODUCTION
NORTHERN & CENTRAL GAS (U.K.) LIMITED
100%
NORTH SEA EXPLORATION
ABASAND OILS LIMITED
100%
ATHABASCA TAR SANDS ROYALTIES
CIGOL INC.
100%
ALASKA EXPLORATION
IDROCARBURI DI CANADA, S.p.A.
100%
ADRIATIC SEA EXPLORATION
ELF OIL EXPLORATION AND PRODUCTION CANADA LTD.
10%
OIL & GAS EXPLORATION & PRODUCTION

Canadian Industrial Gas & Oil Ltd. (CIGOL) is the continuing company resulting from the amalgamation, effective March 8, 1965, of Alberta Pacific Consolidated Oils Ltd. (N.P.L.), Medallion Petroleums Limited, Medpath Petroleums Ltd., Mid-Western Industrial Gas Ltd., Pamoil Limited and Pathfinder Leaseholds Limited. During 1965 CIGOL also acquired the business and operations of Canadian Industrial Gas Limited which was its former parent company. Subsequent to 1965, through share exchanges, CIGOL now holds the following share ownership:

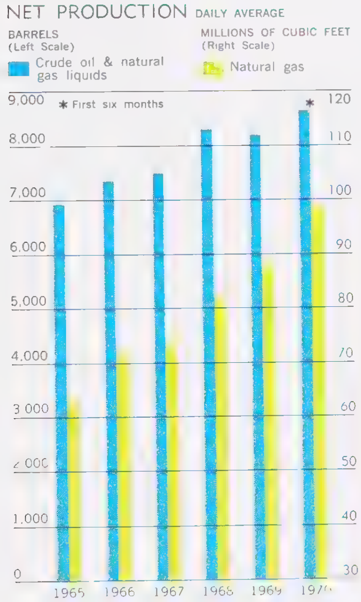
Abasand Oils Limited	100%
Manitou Exploration Company Limited	100%
Prairie Oil Royalties Company, Ltd.	74.4%
Ranvik Oils Limited	100%
Trans-Prairie Pipelines, Ltd.	94.9%

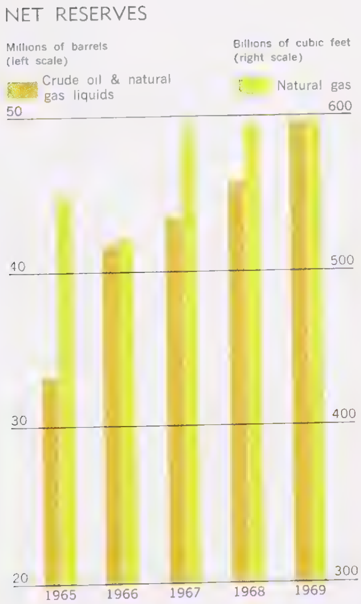
In 1969 CIGOL acquired a 10% interest in Elf Oil Exploration and Production Canada Ltd. (Elf). As consideration, the Company agreed to incur approximately $23 million of drilling and exploration expenses on lands owned and controlled by Elf, which owns interests in approximately 89 million gross acres (23 million net acres), all in Canada.

Since October 1967 CIGOL has purchased from other companies certain oil and gas lease interests, primarily proven oil and gas reserves, for a total cash consideration of approximately $13 million.

These amalgamations and acquisitions together with certain exploration successes, have strengthened CIGOL as a leading independent Canadian oil and gas company. The Company is now in a strong position to take an active role in fulfilling the rapidly expanding world energy demands through its various activities which include:

1. Production of oil, natural gas, natural gas liquids and sulphur,
2. Gathering and transmission of crude oil and natural gas products to trunk line systems of major pipeline companies,
3. Gathering, transmission and distribution of natural gas to industrial and domestic consumers,
4. Sale of liquefied petroleum gases at wholesale and retail levels throughout Western Canada and the States of Washington and Oregon, and
5. Exploration for oil, natural gas and minerals.





OPERATIONS

PRODUCTION AND RESERVES

Net crude oil and natural gas liquids production for the first six months of 1970 increased 5% to a daily average of 8,620 barrels from 8,200 barrels in 1969. This increase is primarily a result of the increased market for Alberta crude. In addition to the revenue received from crude oil and natural gas liquids production, CIGOL owns a royalty on bitumen produced by Great Canadian Oil Sands Ltd. near Fort McMurray, Alberta. The 1969 revenue of $385,000 from this royalty will be increased significantly as the plant achieves authorized production rates and should be further increased as a result of the premium price paid for the processed synthetic crude.

Net natural gas production for the first six months of 1970 increased 12% to a daily average of 98.6 million cubic feet from 88.3 million cubic feet in 1969. Of this 1970 production approximately 42% was delivered to the Company's industrial gas system with the remainder delivered to pipeline companies for resale in Canadian and export markets. Sulphur production from gas processing plants for this six month period was 6,648 long tons.

Net crude oil, natural gas liquids and natural gas reserves increased during the year 1969. Crude oil and natural gas liquids reserves increased to 49.7 million barrels from 46.3 million barrels primarily as a result of acquisitions made during the year. Natural gas liquids account for approximately 7% of the total reserves at the end of 1969. Natural gas reserves increased to 597 billion cubic feet from 595.8 billion cubic feet.

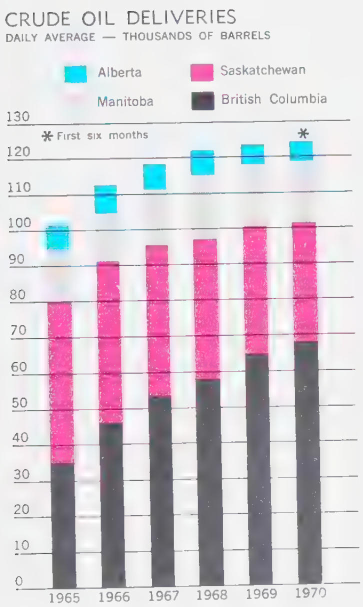
NET PRODUCTION BY FIELDS
First Six Months of 1970

CRUDE OIL AND NATURAL GAS LIQUIDS
(Barrels per day)

Alberta	
Pembina	945
Joarcam	585
Swan Hills	358
Redwater	236
Simonette	229
Zama	164
Joffre	151
Inverness	145
Leduc	145
West Drumheller	113
Lloydminster	111
Other Fields	650
Royalty Interests	86
Condensate	525
Propane and Butane	536
TOTAL	4,979
Saskatchewan	
Weyburn	575
West Kingsford	184
Hazlet	150
Queensdale	107
Other Fields	297
Royalty Interests	860
TOTAL	2,173
British Columbia	
Peejay	1,305
Other Fields	79
Royalty Interests	63
TOTAL	1,447
Other Areas	21
GRAND TOTAL	8,620

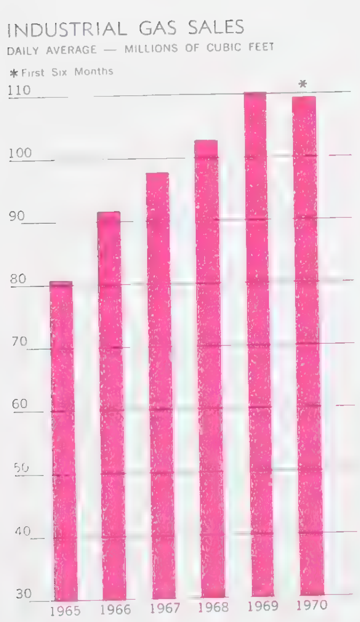
NATURAL GAS
(Millions of cubic feet per day)

Alberta	
Fort Saskatchewan	13.0
Westlock	12.9
Bindloss	9.0
Ghost Pine	7.6
Bittern Lake	7.3
Nevis	5.4
Craigend	3.6
Crossfield	3.4
St. Albert	3.2
Pouce Coupe	2.9
Alexander	2.8
Other Fields	12.9
Royalty Interests	2.4
TOTAL	86.4
British Columbia	
Jedney, Bubbles, Laprise	10.3
Other Fields	.7
TOTAL	11.0
Other Areas	1.2
GRAND TOTAL	98.6



OIL GATHERING AND TRANSMISSION

Trans-Prairie Pipelines, Ltd. (Trans-Prairie) owns and operates crude oil pipelines and gathering systems in British Columbia, Saskatchewan and Manitoba. In the oil fields served by the Trans-Prairie systems there are over 500 million barrels of proven remaining recoverable reserves plus an additional 256 million barrels of probable recoverable reserves. Trans-Prairie follows a policy of adjusting tariffs in accordance with throughput fluctuation thus providing an excellent long-term and stable revenue base. In addition to the three Trans-Prairie systems, CIGOL owns and operates a 79 mile system in Alberta. The remaining recoverable reserves connected to this system are approximately 26 million barrels. Average daily deliveries from the four systems were 124,200 barrels for the first six months of 1970. Additional drilling in fields serviced by the British Columbia system is expected to increase the 1971 throughput.



NATURAL GAS GATHERING AND TRANSMISSION

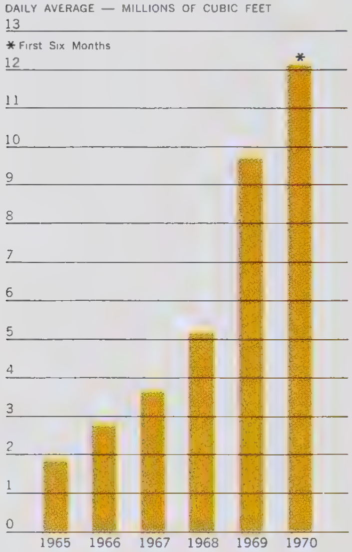
Industrial Gas System

CIGOL owns and operates a natural gas gathering and transmission system comprising approximately 310 miles of pipeline and two processing plants for the purpose of gathering natural gas produced by CIGOL and others from fields in Alberta and transmitting it to industrial customers in the general Edmonton area. Approximately one-half of the natural gas supply for the system is purchased under long-term contracts from third parties, the remainder being accounted for by CIGOL's net interest in gas produced from wells in which the Company owns an interest together with gas produced from such wells for royalty owners.

Average daily industrial gas sales of approximately 110 million cubic feet for the first six months of 1970 were virtually the same as for the year 1969. One major customer purchased approximately 5 million cubic feet per day less than anticipated as the result of its mechanical problems which will be rectified by this fall. Contract re-negotiations with certain customers should result in increased revenues for 1971.

Columbia Natural Gas Limited

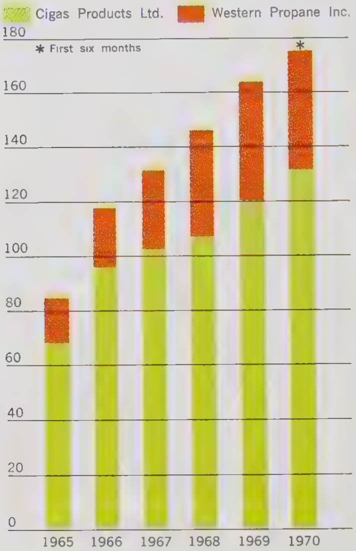
This subsidiary of Trans-Prairie operates a 300 mile transmission and distribution system serving several communities and industries in the East Kootenay area of British Columbia. Natural gas is purchased from Westcoast Transmission Company Limited and Alberta and Southern Gas Co. Ltd. Continued outstanding growth has been achieved and the development of coal reserves in the area of service has resulted in the signing of two large industrial contracts for a total additional volume of 11 million cubic feet per day by the end of 1971. The indicated planned development of other coal mining companies suggests further potential markets.



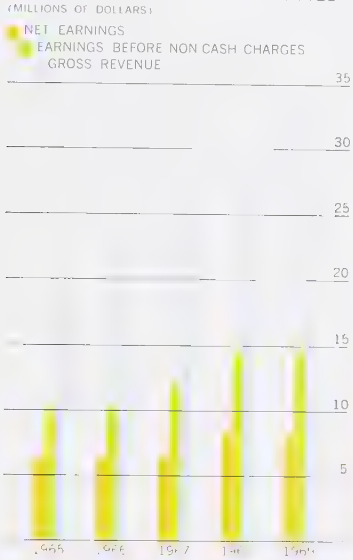
LIQUEFIED PETROLEUM GASES

CIGOL's wholly-owned subsidiary, Cigas Products Ltd. (Cigas) through 44 storage and distribution centres in the four western provinces sells liquefied petroleum gases at wholesale and retail levels and distributes customer storage tanks, appliances and equipment. A similar operation is carried on in the States of Washington and Oregon by Western Propane Inc. in which Cigas presently owns a 50% interest and has recently entered into an agreement to acquire the remaining 50% interest. Cigas purchases liquefied petroleum gases principally from various gas processing plants at competitive prices, normally under one-year contracts. Sales for the first six months of 1970 averaged 176,000 Imperial gallons per day.

Purchase arrangements have recently been completed which resulted in the acquisition of all of the outstanding shares of Suburban Propane Ltd., Calgary, Suburban Propane (Leth.) Ltd., Lethbridge, Wheatland Propane Ltd., Strathmore, and Dons Propane Ltd., Stettler, all in Alberta. These companies were formerly supplied as wholesale customers but Cigas will now benefit by higher sales margins.



1965 - 1969 CONSOLIDATED GROSS REVENUE AND EARNINGS
(MILLIONS OF DOLLARS)

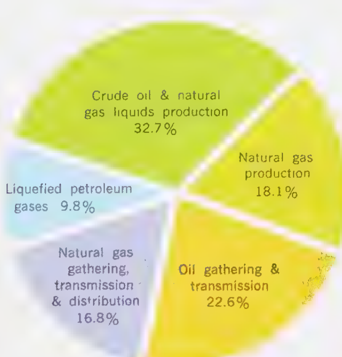


FINANCIAL

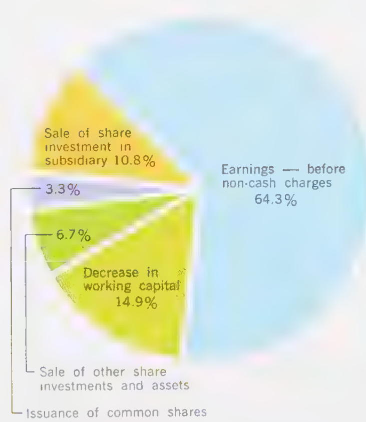
CIGOL has exhibited substantial growth since its formation in 1965. In 1964 its predecessor companies had total reported gross revenues of $13.6 million, earnings before non-cash charges of $6.2 million and net earnings of $3.5 million. In 1969 gross revenue was $33.8 million, earnings before non-cash charges were $14.5 million and net earnings were $8.2 million.

The charts presented on this page are indicative of various financial aspects on a consolidated basis. The annual report and interim figures accompanying this brochure provide detailed financial information including a description of capital and debt structure.

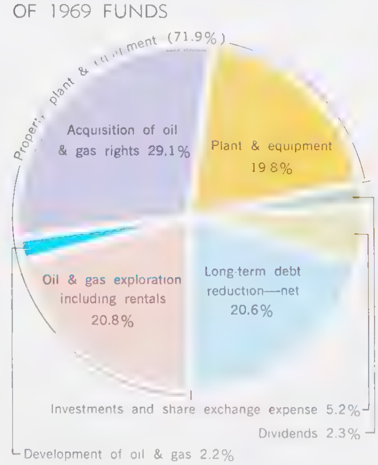
1969 EARNINGS BEFORE NON-CASH CHARGES



CONSOLIDATED SOURCE OF 1969 FUNDS



CONSOLIDATED APPLICATION OF 1969 FUNDS




ARCTIC OCEAN
SVERDRUP ISLANDS
ELF WILKINS
PANARCTIC KING CHRISTIAN
MELVILLE IS.
PRUDHOE BAY
BEAUFORT SEA
BANKS ISLAND
PRINCE OF WALES IS.
ALASKA
Inuvik
U.S.A.
CANADA
VICTORIA ISLAND
YUKON
ARCTIC CIRCLE
Whitehorse
NORTHWEST TERRITORIES
Yellowknife
PACIFIC OCEAN
Fort Nelson
Uranium City
Fort St. John
BRITISH COLUMBIA
ALBERTA
Edmonton
SASKATCHEWAN
MAN
Calgary
Vancouver
Victoria
Regina
Winnipeg
WASHINGTON
CANADA
U.S.A.
OREGON
CANADIAN INDUSTRIAL GAS & OIL LTD.
SCALE IN MILES
100 0 100 200 300 400 500
Lands in Canada in which the Company holds oil and gas rights.
TRANSMISSION LINES:
TransCanada PipeLines Limited
Great Lakes Gas Transmission
Other
Cigol Land Interests
Active Exploration Areas
Coal Prospects


ELLESMERE
ISLAND
DEVON ISLAND
BAFFIN BAY
GREENLAND
DAVIS STRAIT
BAFFIN ISLAND
ATLANTIC OCEAN
HUDSON BAY
Churchill
LABRADOR
NEWFOUNDLAND
St. John's
QUEBEC
ONTARIO
NEW BRUNSWICK
Fredericton
P.E.I.
NOVA SCOTIA
Halifax
SABLE IS.
Quebec
Timmins
Montreal
Ottawa
NEW YORK

EXPLORATION

CIGOL has substantially increased its exploratory acreage and its exploration activities. Management believes that CIGOL has a strong acreage representation in most of the Canadian areas of interest plus the North Sea. As of August 31, 1970, CIGOL and its subsidiaries had varying interests in producing and non-producing exploratory oil and gas acreage as follows:

	Leases		Reservations, Permits and Licences		Total	
	Gross	Net	Gross	Net	Gross	Net
Alberta	1,950,650	685,346	604,240	499,826	2,554,890	1,185,172
British Columbia	908,949	188,428	250,218	95,754	1,159,167	284,182
Manitoba	366,857	102,677	—	—	366,857	102,677
Ontario	2,987	2,987	9,636	9,636	12,623	12,623
Quebec	—	—	156,000	156,000	156,000	156,000
Saskatchewan	487,018	100,301	183,986	156,519	671,004	256,820
Arctic Islands	—	—	5,322,900	3,851,393	5,322,900	3,851,393
Beaufort Sea	—	—	327,145	327,145	327,145	327,145
N.W.T.	—	—	1,828,006	1,406,560	1,828,006	1,406,560
Yukon	—	—	381,646	305,759	381,646	305,759
Hudson Bay	—	—	1,404,688	1,404,688	1,404,688	1,404,688
Labrador-East Coast	—	—	3,043,878	3,043,878	3,043,878	3,043,878
Adriatic Sea	—	—	148,569	110,589	148,569	110,589
North Sea	—	—	648,415	218,955	648,415	218,955
TOTAL	3,716,461	1,079,739	14,309,327	11,586,702	18,025,788	12,666,441

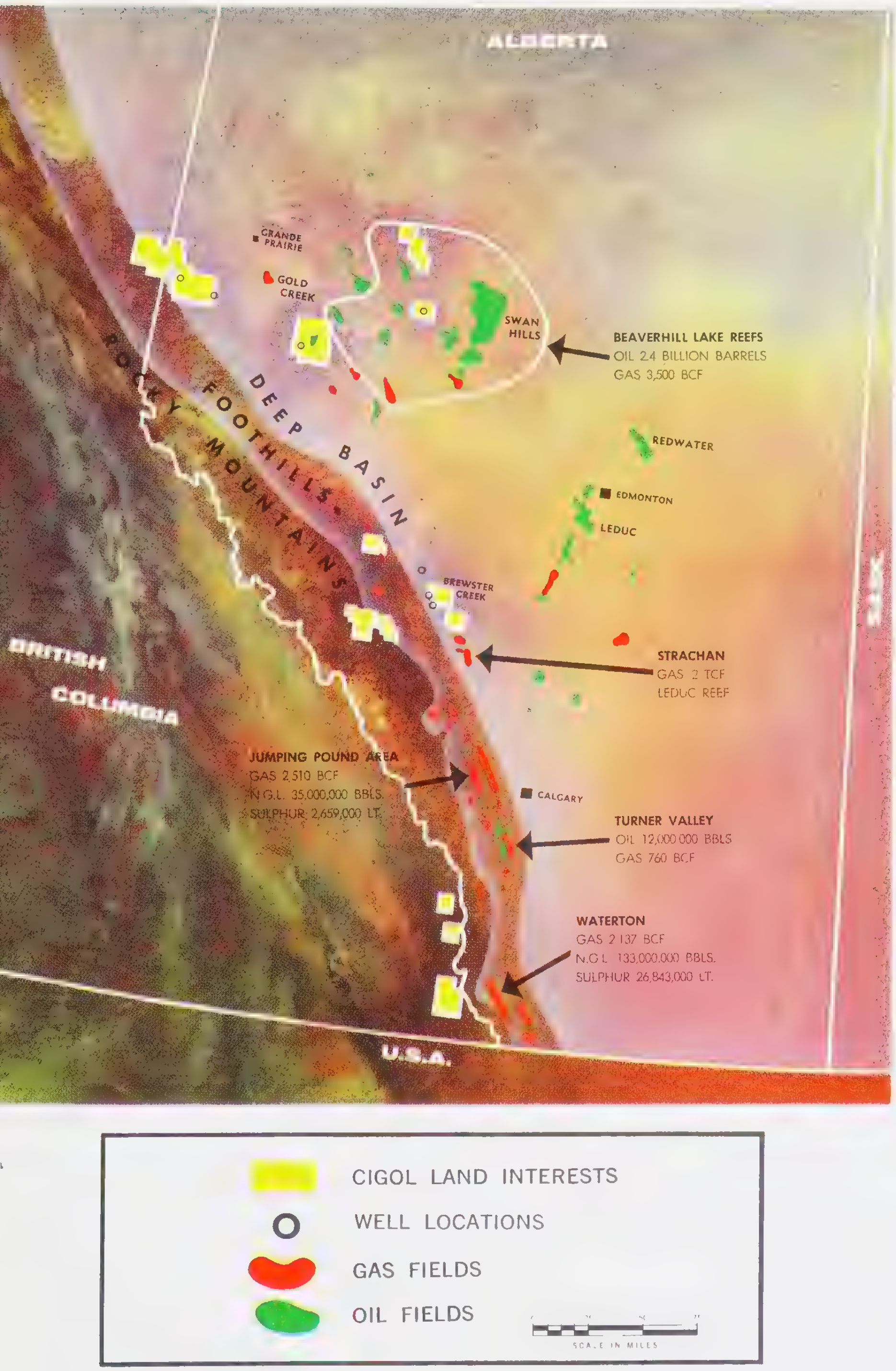
In addition CIGOL also owned varying gross overriding royalty interests in approximately 1,121,820 acres of oil and gas rights.

The following are areas of most current activity and exploration interest.

ALBERTA DEEP BASIN

The Deep Basin of western Alberta and adjacent British Columbia has attracted unusually large exploration expenditures during the past two years. This area extends from approximately the Strachan-Ricinus area in the south to west of the Gold Creek area in the north. The primary objective in the area is the Devonian-Leduc reef encountered at depths varying from 10,000 to 18,000 feet. The Strachan gas field, with total gas reserves of approximately 2.0 trillion cubic feet in the Leduc reef, is located in the southern portion of this geological basin.

FOOTHILLS — DEEP BASIN



CIGOL and its subsidiaries own interests in approximately 425,000 gross acres in this basin, and are currently participating in the drilling of three deep tests with projected depths of 11,500 feet to 17,500 feet. Two of these locations are on prominent seismic anomalies at the Leduc reef level. In addition to these wells, three deep Devonian reef tests are being drilled by other companies in the vicinity of the Company's Brewster Creek acreages located approximately 25 miles northwest of the Strachan gas field.

FOOTHILLS

The Rocky Mountain Foothills Belt extends through the length of western Alberta and adjacent British Columbia. The primary objective is gas in the Mississippian and Devonian Carbonates which have been involved in structural folding and faulting. The Jumping Pound structures, productive from the Mississippian Carbonates, have proven gas reserves in the order of 2.5 trillion cubic feet.

CIGOL owns interests in approximately 260,000 gross acres within the Foothills Belt. One seismic program has been completed, a second program is in progress and additional programs are planned for the future. It is anticipated that in the event of favourable seismic results, drilling operations will commence during 1971.

ARCTIC REGION

The Canadian Arctic Region is the largest unexplored sedimentary area in the Western Hemisphere. Within this area the two most important geological provinces are the Sverdrup Basin and the Beaufort Shelf, which contain thick, highly prospective Mesozoic sediments. Large closed structures, salt domes and widespread facies changes provide effective traps for hydrocarbons. The presence of gas seepages and outcropping oil sands support the great potential of the region. Utilizing the Canadian Petroleum Association's parameters of a maximum of 25,000 feet of sediment, 600 feet of sea depth and 55,000 barrels of oil per cubic mile of sediment, the potential reserves for these two geological provinces are estimated at 46.8 billion barrels of oil and 280.8 trillion cubic feet of gas. This area, therefore, has 38% of the total Canadian potential reserves contained in only 11% of the total sedimentary area.

CIGOL, directly and through its interests in Elf and Prairie Oil Royalties Company, Ltd. (Prairie Oil), holds varying interests in approximately 20.5 million gross acres in the Arctic Region. In addition, CIGOL owns a 0.6776% share interest in Panarctic Oils Ltd. (Panarctic). The majority of this acreage is in the Sverdrup Basin and the Beaufort Shelf. CIGOL's acreage representation in these areas, in the opinion of Management, has great potential due to the tremendous thickness of the young sediments in the Triassic and Basal Cretaceous sands which have proven to be productive of hydrocarbons in the Prudhoe Bay area of Alaska and the Atkinson Point area of the Northwest Territories. The majority of this acreage is located onshore.

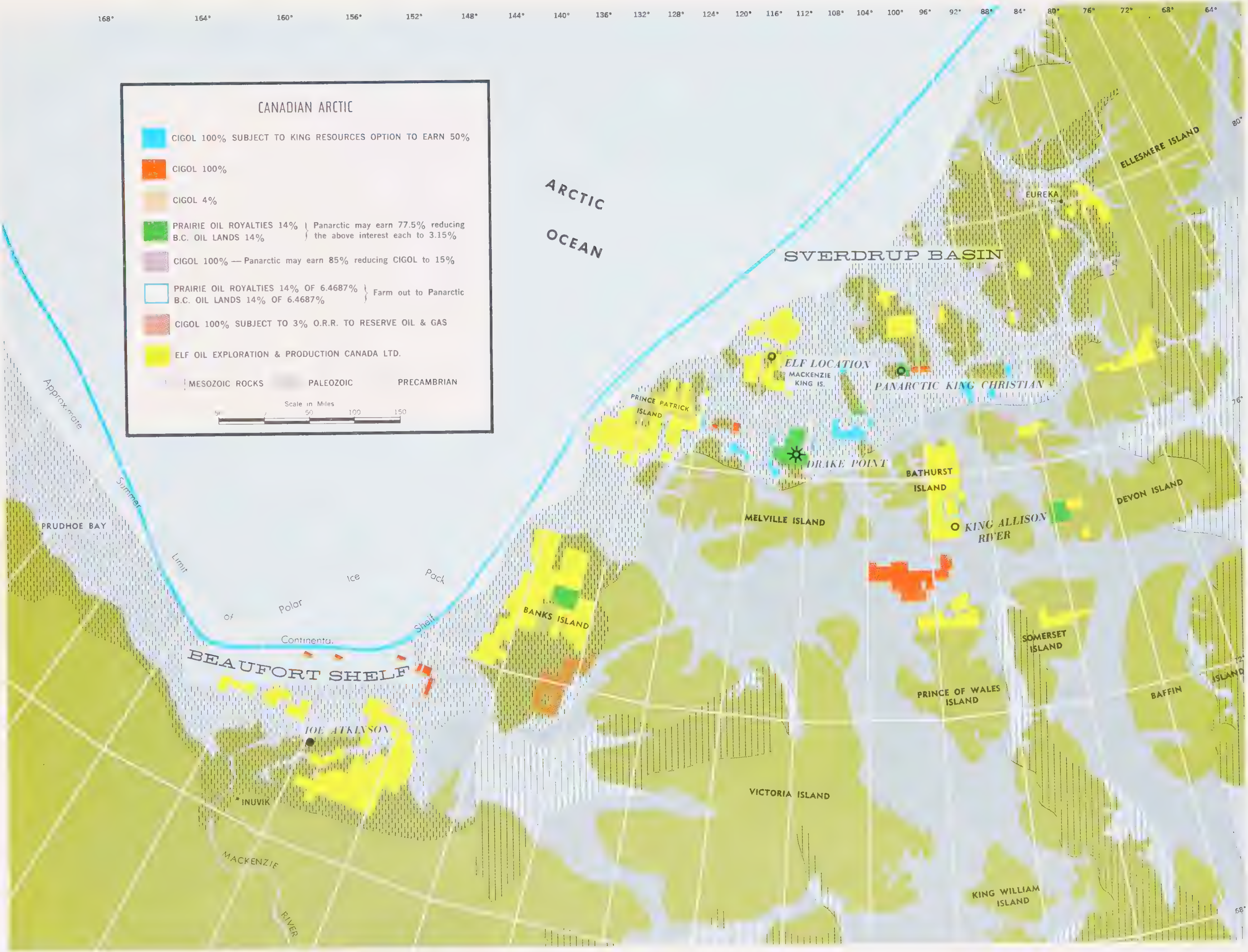
Exploration activity in the Sverdrup Basin is intensifying as a result of operations by Panarctic, Elf and King Resources Company (King Resources), plus several other operators. Within the next few months seven drilling rigs should be operating in this area. To date, the only success is the Panarctic "Drake Point K-67" well located on the Sabine Peninsula of Melville Island in which drill stem tests indicated flow rates of 10 million cubic feet of gas per day from a zone at approximately 3,700 feet and 13 million cubic feet of gas per day with small recoveries of condensate and oil from approximately 4,650 feet. The Drake Point well was drilled under farmout arrangement on lands in which Prairie Oil now holds a 14% working interest. Panarctic, under the farmout provisions, may earn a maximum of 77.5% of this interest.

Panarctic commenced the drilling of an exploratory well this month on King Christian Island on lands in which Prairie Oil owns an interest. This exploratory well will be the first well drilled in the Arctic Islands to test the Triassic Heiberg Sand on a simple dome structure. The areal extent and vertical closure of the King Christian structure, as defined by surface geology, gravity and seismic, is such that in the event of success an accumulation of several billion barrels of oil could be found. This one feature gives some indication of the magnitude of the potential hydrocarbon reserves in the Arctic Region.

The drilling rig from the Elf "Cape Norem" well on Mackenzie King Island has been moved to a location on Elf interest acreage located approximately 35 miles northwest of the "Cape Norem" well. Drilling operations commenced during October of this year. This location is to be drilled on a structure located on the western edge of the Sverdrup Basin.

King Resources has commenced its initial exploratory well on Bathurst Island located on lands in which Elf owns an interest.

In addition to the drilling operations, extensive seismic programs have been conducted this year or are in progress on, or near, acreage in which the Company owns interests on Mackenzie King Island, Prince Patrick Island, Banks Island and the Beaufort Sea.


CANADIAN ARCTIC
CIGOL 100% SUBJECT TO KING RESOURCES OPTION TO EARN 50%
CIGOL 100%
CIGOL 4%
PRAIRIE OIL ROYALTIES 14% B.C. OIL LANDS 14% } Panarctic may earn 77.5% reducing the above interest each to 3.15%
CIGOL 100% — Panarctic may earn 85% reducing CIGOL to 15%
PRAIRIE OIL ROYALTIES 14% OF 6.4687% B.C. OIL LANDS 14% OF 6.4687% } Farm out to Panarctic
CIGOL 100% SUBJECT TO 3% O.R.R. TO RESERVE OIL & GAS
ELF OIL EXPLORATION & PRODUCTION CANADA LTD.
MESOZOIC ROCKS
PALEOZOIC
PRECAMBRIAN
Scale in Miles
50 100 150
ARCTIC OCEAN
SVERDRUP BASIN
BEAUFORT SHELF
Approximate Summer Limit of Polar Ice Pack
Continental Shelf
PRUDHOE BAY
INUVIK
MACKENZIE RIVER
BANKS ISLAND
PRINCE PATRICK ISLAND
ELF LOCATION
MACKENZIE KING IS.
PANARCTIC KING CHRISTIAN
DRAKE POINT
MELVILLE ISLAND
BATHURST ISLAND
KING ALLISON RIVER
EUREKA
ELLESMERE ISLAND
DEVON ISLAND
SOMERSET ISLAND
BAFFIN ISLAND
PRINCE OF WALES ISLAND
VICTORIA ISLAND
KING WILLIAM ISLAND
168° 164° 160° 156° 152° 148° 144° 140° 136° 132° 128° 124° 120° 116° 112° 108° 104° 100° 96° 92° 88° 84° 80° 76° 72° 68° 64°

EASTCOAST OFFSHORE

The Eastcoast Offshore is known to contain thick Tertiary and Mesozoic sediments for which the Canadian Petroleum Association has estimated total potential reserves of 24.7 billion barrels of oil and 150 trillion cubic feet of gas. Published information has confirmed the presence of salt dome structures which combined with alternating sand and shale sequences lends itself to multiple accumulations. Twelve exploratory wells have been drilled in the past year, several of which reported oil and/or gas shows.

CIGOL owns a 100% interest in approximately 3 million acres on the Newfoundland/Labrador shelf and Elf owns a 100% interest in approximately 2.9 million acres on the Grand Banks south of Newfoundland.

OTHER AREAS

CIGOL and its subsidiaries are currently participating in approximately 15 active exploratory projects located in the Western Canada Sedimentary Basin. These projects are generally oriented for the discovery of smaller hydrocarbon reserves where the risk involved and expenditures required are proportionately less than those required in some of the frontier areas described above. Such programs should maintain the reserves of the Company.

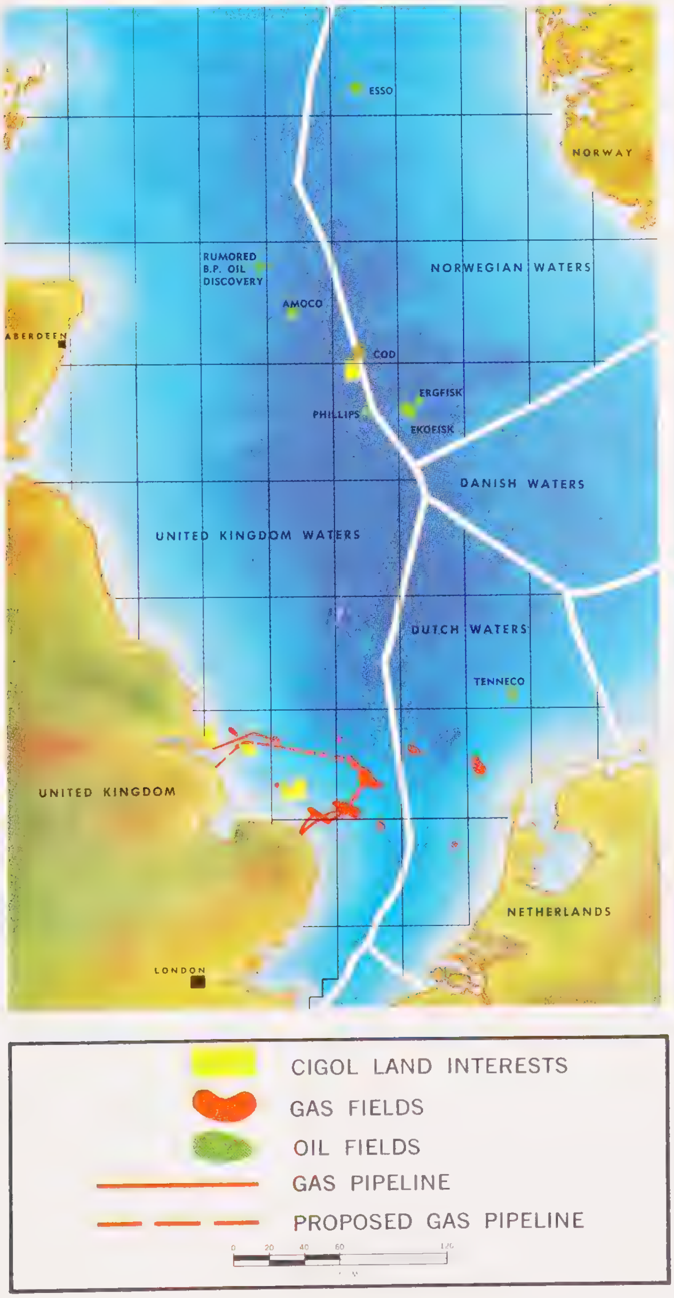
The Company and its subsidiaries own interests in 77,000 gross acres in the Swan Hills area of central Alberta where approximately 2.4 billion barrels of oil reserves have been discovered in the Beaverhill Lake reef to date. It is anticipated that a well will be drilled on a portion of these lands early in 1971.

CIGOL owns a 100% interest in approximately 300,000 acres located on the western side of the Eagle Plains in the northern Yukon Territories. Cretaceous gas and Permian oil have been found in this basin but the main prospect for substantial reserves lies in the Devonian and Silurian reefs in large anticlinal structures.

CIGOL directly, and through Elf, owns an interest in approximately 64 million acres located in the Hudson Bay. An extensive seismic program was conducted on a portion of this acreage during the summer of 1970.

During 1969 CIGOL was awarded several blocks in the Italian sector of the Adriatic Sea. Formal documentation has only been completed within the last few months and, as a result, initial seismic work will commence in the near future on five wholly-owned blocks.

THE NORTH SEA



NORTH SEA

CIGOL has been involved in the North Sea exploratory play since the first licenses were issued in 1964 for British waters. Geological studies, without the benefit of seismic, were conducted to determine the areas in which applications were made. Licenses were obtained by the Company along the trend where most of the gas discoveries were subsequently made. To date a total of 6 exploratory wells has been drilled and abandoned on acreage in which the Company owns an interest. A farmout arrangement on Block 48/23 in which the Company owns a 50% interest has been made and it is anticipated that an exploratory well will be commenced within the next few months.

In 1969 the British Government announced that it would accept applications for additional licenses and CIGOL made the decision to conduct seismic programs in advance in order to be in a position to make application on acreage evidencing seismic features. At that time the Industry was aware that Phillips had made a gas and condensate discovery at the Cod Field and it was reported that Phillips had apparently made an important discovery at Ekofisk. As a result of the seismic programs, CIGOL participated with others in application on two blocks and was granted a 15% interest in Block 30/2 containing 55,869 acres. The block is located approximately five miles southwest of the Cod Field and midway between the Ekofisk oil field and the rumoured Amoco oil discovery in the British sector and approximately twenty miles north of the recently announced Phillips oil discovery on Block 30/13. The Cod discovery was in a sandstone at the base of the Tertiary while the Ekofisk discovery was in a limestone at the top of the Cretaceous and the discovery on Block 30/13 is in the Triassic. All three of these geological formations are thought to be present and prospective in Block 30/2. More than sixty miles of seismic on Block 30/2 are available and it appears that the structure covers a large area and could, therefore, potentially have a large hydrocarbon reserve. It is anticipated that an exploratory well will be drilled prior to the end of 1970.

MINERAL PROSPECTS

CIGOL has carried out a modest program in mineral exploration during the past few years. The Company with others is conducting some form of exploration on several mineral prospects in Canada.

During the past summer, the Company conducted a preliminary program of trenching and surface geology on a coking coal prospect in the southern Alberta foothills. In addition CIGOL has commenced preliminary exploration on nine separate soft coal prospects in the Alberta plains area.

OUTLOOK FOR THE FUTURE

MARKET DEMAND

Increasing demand in both Canada and the United States for all forms of energy indicates the prospects of continued large and rapid growth in crude oil, natural gas, and liquefied petroleum gas markets. The National Energy Board has now approved the export of an additional 6.3 trillion cubic feet of gas to markets in the United States. In addition steps have recently been taken by the United States to increase substantially Canadian oil imports. New gas plant construction will ensure additional supply of LPG in Western Canada, and since this product has a variety of applications and is highly portable, additional markets will be established in both Canada and the United States where natural gas is not available.

RESERVE POTENTIAL

In a report dated April, 1969, the Canadian Petroleum Association estimated the potential hydrocarbon reserves for Canada's various sedimentary basins as 120.8 billion barrels of crude oil and 724.8 trillion cubic feet of raw natural gas. This compares to their estimate of reserves that have been discovered in Canada to December 31, 1969, of 12.8 billion barrels of crude oil and 69.3 trillion cubic feet of natural gas. In addition the North Sea and Adriatic Sea sedimentary basins have large reserve possibilities.

With its substantial cash flow, low debt to equity ratio and strong land representation in these areas of high promise, CIGOL believes itself to be in a favourable position to benefit from this potential.

Calgary, Alberta
October 28, 1970

Directors

Edward G. Battle	Calgary, Alberta
Edmund C. Bovey	Toronto, Ontario
Donald R. Brandt	Edmonton, Alberta
C. Spencer Clark	Seattle, Washington
Robert B. Craddock	Tuckers' Town, Bermuda
J. Ian Crookston	Toronto, Ontario
Edward A. Galvin	Calgary, Alberta
Richey B. Love	Calgary, Alberta
William I. M. Turner, Jr.	Montreal, Quebec
John R. Yarnell	Montreal, Quebec

Officers

Edward A. Galvin	President
Edmund C. Bovey	Chairman, Executive Committee
Edward G. Battle	Executive Vice President
Donald D. Barkwell	Vice President, Production
Stewart R. Dyckman	Vice President, Finance
George T. Hefter	Vice President, LP Gas
Wilfrid A. Loucks	Vice President, Exploration
Laurence A. Sills	Secretary
A. Kenneth Davies	Treasurer
Russell G. Rennie	Assistant Secretary

Head Office

640 Eighth Avenue S.W., Calgary 2, Alberta

Registrars and Transfer Agents

Common and Preferred Shares:

NATIONAL TRUST COMPANY, LIMITED
Calgary, Montreal, Toronto, Vancouver, Winnipeg

THE BANK OF NEW YORK, NEW YORK

Exchange Listing

Common and Preferred Shares:

TORONTO STOCK EXCHANGE, Toronto, Ontario

CANADIAN INDUSTRIAL GAS & OIL LTD.

FOOTHILL PRINTERS LIMITED CALGARY
LITHOGRAPHED IN CANADA

CANADIAN INDUSTRIAL GAS & OIL LTD.

AND SUBSIDIARY COMPANIES

Consolidated Financial Statements

August 31, 1970

(Unaudited)

CONSOLIDATED STATEMENT OF EARNINGS

for the eight months ended August 31 (unaudited)

	1970	1969
SALES, SERVICE AND OTHER OPERATING REVENUE . .	$21,386,498	$22,433,447
COSTS AND EXPENSES		
Gas and other merchandise purchased	4,410,465	4,521,480
Selling, operating and administrative expenses . . .	5,651,777	5,608,187
Interest	1,244,268	896,834
Depletion	2,302,999	3,439,302
Depreciation	1,870,603	1,789,536
Minority interest	188,727	135,922
	15,668,839	16,391,261
EARNINGS BEFORE INCOME TAXES	5,717,659	6,042,186
Income taxes of subsidiaries	255,189	869,397
EARNINGS BEFORE EXTRAORDINARY ITEM	5,462,470	5,172,789
Gain on disposal of assets	53,048	180,684
NET EARNINGS	$ 5,515,518	$ 5,353,473

CONSOLIDATED BALANCE SHEET

as at August 31, 1970 (unaudited)

Assets

CURRENT ASSETS	
Cash and short-term deposits	$ 5,467,911
Accounts and notes receivable	4,899,805
Inventories of merchandise and supplies at lower of cost or replacement cost	1,090,395
Prepaid expenses and deposits	389,612
	11,847,723
INVESTMENTS	
Fifty percent owned companies	
Shares at cost plus equity in undistributed earnings and advances	1,384,599
Other companies	
Shares at cost	7,498,897
	8,883,496
PROPERTY, PLANT AND EQUIPMENT, at cost	134,781,812
Accumulated depletion and depreciation	51,456,947
	83,324,865
OTHER ASSETS	623,707
	$104,679,791

Liabilities

CURRENT LIABILITIES	
Accounts and notes payable and accrued charges	$ 2,843,405
Income taxes payable by subsidiaries	85,320
Current maturities on long-term debt	3,617,396
	6,546,121
LONG-TERM DEBT	23,037,393
DEFERRED RENTAL INCOME	481,486
MINORITY INTEREST IN SUBSIDIARY COMPANIES	2,237,272
CONTRIBUTION IN AID OF CONSTRUCTION	109,869
DEFERRED INCOME TAXES	719,152

Shareholders' Equity

CAPITAL STOCK	
Authorized	
500,000 5½% cumulative redeemable convertible voting preferred shares, par value $10 each	
50,000,000 common shares without par value	
Issued	
236,844 preferred shares	2,368,440
19,817,781 common shares	23,409,010
	25,777,450
PAID-IN SURPLUS (no change to date in 1970)	956,237
RETAINED EARNINGS	44,814,811
	71,548,498
	$104,679,791

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the eight months ended August 31, 1970 (unaudited)

BALANCE AT BEGINNING OF PERIOD	$39,366,465
Net earnings for the period	5,515,518
	44,881,983
Dividends — preferred shares	67,172
BALANCE AT END OF PERIOD	$44,814,811

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the eight months ended August 31, 1970 (unaudited)

FUNDS DERIVED FROM	
Operations	
Net earnings	$ 5,515,518
Non-cash items	4,287,731
	9,803,249
Sale of share investment in subsidiary	222,510
Long-term debt increase — net	6,277,517
Other asset sales	441,607
Issuance of common shares	63,300
Working capital of subsidiaries acquired	141,291
	16,949,474
FUNDS APPLIED TO	
Property, plant and equipment	5,545,286
Dividends	67,172
Investment in subsidiary companies	484,399
Investment in other companies	4,703,117
Other sources net	297,359
	11,097,333
INCREASE IN WORKING CAPITAL	$ 5,852,141

CONSOLIDATED STATEMENT OF LONG-TERM DEBT

as at August 31, 1970 (unaudited)

CANADIAN INDUSTRIAL GAS & OIL LTD.	
Bank loans secured by certain producing properties repayable in monthly instalments of $166,000 with interest at prime bank rates for such loans .	$ 9,960,531
5⅞% First Mortgage Sinking Fund Bonds, ($9,375,000 (U.S.)) due February 1, 1983 — subject to semi-annual sinking fund payments of $325,000 (U.S.)	10,095,188
Other	1,408,570
TRANS-PRAIRIE PIPELINES, LTD. AND SUBSIDIARY	
Bank loan partially secured by a general assignment of accounts receivable of a subsidiary company with interest at prime rates for such loans .	1,760,000
First Mortgage Sinking Fund Bonds:	
6% Series "A" due June 1, 1982 — subject to annual sinking fund payments of $57,000	1,729,000
6¼% Series "B" due January 15, 1973	47,000
6½% Series "C" due February 1, 1976 — subject to annual sinking fund payments of $200,000	1,197,000
Sinking Fund Debentures:	
6¼% Series "A" due February 1, 1976 — subject to annual sinking fund payments of $80,000	457,500
	26,654,789
Current maturities included in current liabilities	3,617,396
	$23,037,393

FOOTHILL PRINTERS LIMITED · CALGARY
LITHOGRAPHED IN CANADA

Canadian Industrial Gas & Oil Ltd.

and Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS

Six Months Ended June 30, 1970 and 1969

(Unaudited)

	1970	1969
SALES, SERVICE AND OTHER OPERATING REVENUE	$16,613,857	$17,390,557
COSTS AND EXPENSES		
Gas and other merchandise purchased	3,508,756	3,541,549
Selling, operating and administrative expenses	4,316,671	4,138,150
Interest	936,299	721,692
Depletion	1,761,019	2,601,413
Depreciation	1,402,352	1,341,724
Minority interest	145,413	101,267
	12,070,510	12,445,795
EARNINGS BEFORE INCOME TAXES	4,543,347	4,944,762
Income taxes of subsidiaries	176,306	692,022
EARNINGS BEFORE EXTRAORDINARY ITEM	4,367,041	4,252,740
Gain on disposal of assets	53,048	148,645
NET EARNINGS	$ 4,420,089	$ 4,401,385
Cash earnings per common share*	$ .37	$ .38
Net earnings per common share — Basic*	$ .22	$ .22
— Fully diluted*	$ .21	$ .21

* Basic earnings per common share are calculated by using the weighted monthly average number of shares outstanding during the respective periods adjusted to reflect shares issued in 1969 after June 30 for the acquisition of Trans-Prairie Pipelines, Ltd. which acquisition was accounted for on a "pooling of interest" basis. Fully diluted earnings per share reflect the assumed issuing of common shares applicable to the exercise of all outstanding stock options and the conversion of all preferred shares.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Six Months Ended June 30, 1970 and 1969

(Unaudited)

	1970	1969
FUNDS DERIVED FROM		
Operations		
Net earnings	$ 4,420,089	$ 4,401,385
Non-cash items	3,230,410	3,388,095
	7,650,499	7,789,480
Sale of share investment in subsidiary	222,510	2,448,262
Other asset sales	417,247	346,184
Long-term debt increase — net	5,701,864	—
Issuance of common shares — company	46,800	330,000
— subsidiary	—	231,847
	14,038,920	11,145,773
FUNDS APPLIED TO		
Property, plant and equipment	3,745,820	4,838,136
Long-term debt reduction — net	—	6,341,414
Dividends — company	67,172	93,693
— subsidiary	—	327,680
Investment in subsidiary companies	136,249	—
Investment in other companies	3,746,869	100,000
Other sources	10,527	26,239
	7,706,637	11,727,162
INCREASE (DECREASE) IN WORKING CAPITAL	$ 6,332,283	$(581,389)

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CANADIAN INDUSTRIAL GAS & OIL LTD.

INTERIM REPORT

JUNE 30, 1970

To The Shareholders:

FINANCIAL

The unaudited consolidated statements of earnings and source and application of funds for the six months ended June 30, 1970, with comparative figures for the same period of 1969, are presented herewith.

Net earnings for the first six months of 1970 were $4,420,00 or 22¢ per share compared to $4,401,000, also 22¢ per share for the corresponding period of 1969. Before provision for income tax, however, net earnings for 1970 were down from 1969 due to higher operating expenses and interest charges. Initial investment of approximately $4,000,000 in Elf Oil Exploration and Production Canada Ltd. shares early in 1970 is reflected in an increase in consolidated debt of the Company requiring the additional interest. Figures for the first six months of 1969, other than net earnings before income tax, were not directly comparable with the current year because production subleases in 1969 added approximately $1,600,000 to gross revenue and $1,200,000 to cash income, which was more than offset by applicable depletion and income tax on this sublease income.

EXPLORATION

North Sea

In May of this year the Company, together with several others, was awarded a production licence on British North Sea Block 30/2 containing 55,869 acres. The block is located approximately five miles from the Cod gas and condensate field and midway between the reported very large Ekofisk oil discovery in the Norwegian waters and the rumored Amoco oil discovery in the British sector. A number of wells are being drilled in the general vicinity of the holding in the Tertiary sedimentary basin. It is anticipated that a well in which the Company holds a 15% working interest will be drilled on Block 30/2 prior to the end of 1970. (See accompanying map).

Nose Creek, Alberta

The Company, through its 95% owned subsidiary Trans-Prairie Pipelines, Ltd., is participating in the drilling of a deep Devonian test in the west central area of Alberta. The well, Amoco CIGOL Shell Nose 8-19-66-12 W6, which has a projected total depth of 17,500 feet, will be one of the deepest drilled to date in Canada. Upon completion of drilling, Trans-Prairie will hold a 10% interest in the well and a large spread of acreage in the area.

OFFER TO SHAREHOLDERS OF UNITED BATA RESOURCES LIMITED

On June 26, 1970 the Company made an offer to shareholders of United Bata Resources Limited (N.P.L.) to exchange one share of the Company for 2.75 shares of United Bata. The offer was open until July 31, 1970 and subject to a number of conditions being satisfied. As several of these conditions were not satisfied at the end of the offer period, those shares deposited for exchange were returned to their owners.

ACQUISITION OF SHARES OF RETAIL PROPANE COMPANIES

In June the Company acquired for a total consideration of approximately $600,000, payable in varying amounts over five years, shares in four companies engaged in retail propane sales in Alberta. Of these companies, the Company acquired the remaining outstanding shares of a 50% owned subsidiary, Suburban Propane Ltd., Calgary. Prior to June CIGOL had no interest in the other three companies, Suburban Propane (Leth.) Ltd., Lethbridge, Wheatland Propane Ltd., Strathmore, and Don's Propane Ltd., Stettler, and has now acquired all of their outstanding shares. Since the Company has for some time been supplying these propane companies with product, the sales volume of the new subsidiaries has in the past been included in wholesale sales but, by the acquisition of the shares, the additional profit on retail sales will accrue to the Company. This is projected to represent an excellent return on the investments.

On behalf of the Board of Directors,

E. C. Galvin

President.

Calgary, Alberta.
August 31, 1970.